



FINAL ANNUAL BUDGET OF //KHARA HAIS MUNICIPALITY

**2015/16 TO 2017/18
MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS**

**Approved by Council on
31 March 2015**

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Abbreviations and Acronyms

AMR	Automated Meter Reading	ℓ	litre
ASGISA	Accelerated and Shared Growth Initiative	LED	Local Economic Development
BPC	Budget Planning Committee	MEC	Member of the Executive Committee
CBD	Central Business District	MFMA	Municipal Financial Management Act
CFO	Chief Financial Officer	MIG	Municipal Infrastructure Grant
CM	City Manager	MMC	Member of Mayoral Committee
CPI	Consumer Price Index	MPRA	Municipal Properties Rates Act
CRRF	Capital Replacement Reserve Fund	MSA	Municipal Systems Act
DBSA	Development Bank of South Africa	MTEF	Medium-term Expenditure Framework
DoRA	Division of Revenue Act	MTREF	Medium-Term Revenue and Expenditure Framework
DWA	Department of Water Affairs	NERSA	National Electricity Regulator South Africa
EE	Employment Equity	NGO	Non-Governmental organisations
EEDSM	Energy Efficiency Demand Side Management	NKPIs	National Key Performance Indicators
EM	Executive Mayor	OHS	Occupational Health and Safety
FBS	Free basic services	OP	Operational Plan
GAMAP	Generally Accepted Municipal Accounting Practice	PBO	Public Benefit Organisations
GDP	Gross domestic product	PHC	Provincial Health Care
GDS	Gauteng Growth and Development Strategy	PMS	Performance Management System
GFS	Government Financial Statistics	PPE	Property Plant and Equipment
GRAP	General Recognised Accounting Practice	PPP	Public Private Partnership
HR	Human Resources	PTIS	Public Transport Infrastructure System
HSRC	Human Science Research Council	RG	Restructuring Grant
IDP	Integrated Development Strategy	RSC	Regional Services Council
IT	Information Technology	SALGA	South African Local Government Association
kℓ	kilolitre	SAPS	South African Police Service
km	kilometre	SDBIP	Service Delivery Budget Implementation Plan
KPA	Key Performance Area	SMME	Small Micro and Medium Enterprises
KPI	Key Performance Indicator		
kWh	kilowatt		

Part 1 – Annual Budget

1.1 Mayor's Report

In his Budget Speech to Parliament on 17 February 2010, the Minister of Finance said: *"We cannot expect to do the same old things and expect different results"*. In the past three years, the world economy has gone through its deepest recession in over 70 years. Signals are that the recovery is still fragile and many commentators caution that current positive economic trends may be short-lived and that the world economy may yet experience a second recessionary wave. //Khara Hais Municipality was in no way immune to the harsh economic realities associated with the recession. Among the impacts are the serious cash flow challenges currently being experienced by the municipality due to among other things the depletion of cash-backed reserves; historic expenditure patterns and a general lack of "doing business smarter".

Management within local government has a significant role to play in strengthening the link between the citizen and government's overall priorities and spending plans. The goal should be to enhance service delivery aimed at improving the quality of life for all people within the //Khara Hais Municipality. Budgeting is primarily about the choices that the municipality has to make between competing priorities, available financial resources and fiscal realities. The challenge is to do more with the available resources. We need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms.

We, as leaders, have the power to take decisions and had to take hard decisions on how we will use available resources. We cannot please everyone and everyone will not necessarily agree with these decisions. Bill Cosby once said: *"I don't know the key to success, but the key to failure is trying to please everybody."*

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that sustainable municipal services are provided economically and equitably to all communities.

We as councillors and senior management together with the inputs and comments of the local community has developed an IDP and a credible and sustainable budget with realistically anticipated revenue sources to improve the quality of our people's life. Unfortunately our needs are far greater than our available resources and therefore not nearly enough of the developmental needs identified in our developed IDP could be met with the available financial resources. It is

however a worldwide problem that identified needs by far exceeds available financial resources and therefore we had to prioritise our needs and implement those projects and programmes that have the biggest affect in improving our people's quality of life.

Based on the comments and inputs received on the draft IDP and draft budget and proposed tariffs, it is recommended that Council adopt the following budget resolutions.

1.2 Council Resolutions

On 31 March 2015 the Council of //Khara Hais Municipality met in the Council Chambers of //Khara Hais Municipality to consider the draft annual budget of the municipality for the financial year 2015/2016. The Council approved and adopted the following resolutions:

1. The Council of //Khara Hais Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
 - 1.1. The draft annual budget of the municipality for the financial year 2015/2016 and the multi-year and single-year operating and capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 18 on page 31;
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 19 on page 32;
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 21 on page 34; and
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 22 on page 37.
 - 1.2. The financial position, cash flow budget, cash-backed reserve / accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
 - 1.2.1. Budgeted Financial Position as contained in Table 23 on page 38;
 - 1.2.2. Budgeted Cash Flows as contained in Table 24 on page 40;
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 25 on page 41;

- 1.2.4. Asset management as contained in Table 26 on page 43; and
 - 1.2.5. Basic service delivery measurement as contained in Table 27 on page 45.
2. The Council of //Khara Hais Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2015:
 - 2.1. The tariffs for property rates – as set out in Annexure A (Draft Tariff List);
 - 2.2. The tariffs for electricity – as set out in Annexure A (Draft Tariff List);
 - 2.3. The tariffs for the supply of water – as set out in Annexure A (Draft Tariff List);
 - 2.4. The tariffs for sanitation services – as set out in Annexure A (Draft Tariff List); and
 - 2.5. The tariffs for solid waste services – as set out in Annexure A (Draft Tariff List).
3. The Council of //Khara Hais Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2015 the tariffs for all other services, as set out in Annexure B (Draft Tariff List).
4. To give proper effect to the municipality's draft annual budget, the Council of //Khara Hais Municipality approves:
 - 4.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.

4.2. That the municipality do not raise any long term loans for the 2015/2016 MTREF.

4.3. That the Municipal Manager be authorised to sign all necessary agreements and documents to give effect to the above lending programme.

1.3 Executive Summary

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programs so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on non-core and 'nice to have' items. This has resulted in savings to the municipality. Key areas were savings for councillors on telephone and internet usage, printing, workshops, overseas and national travel, accommodation, and catering.

The municipality has embarked on implementing a range of revenue collection strategies to the collection of debt owed by consumers. Furthermore, the municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circulars No. 74 - 75 were used to guide the compilation of the 2015/2016 MTREF.

The main challenges experienced during the compilation of the 2015/2016 MTREF can be summarised as follows:

- The on-going difficulties in the national and local economy;
- Aging water, sewerage, roads and electricity infrastructure;
- The need to reprioritised projects and expenditure within the existing resource envelope given the cash flow realities;
- The increased cost of bulk water and electricity (due to tariff increases from DWA and Eskom), which is placing upward pressure on service tariffs to residents. Continuous high

tariff increases are not sustainable – as there will be point where services will no-longer be affordable;

- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2015/2016 MTREF process; and
- Availability of affordable capital / borrowing.

The following budget principles and guidelines directly informed the compilation of the 2015/2016 MTREF:

- The 2014/2015 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2015/2016 draft annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI; except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the wage negotiations as well as cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- The municipality did budget for two allocations that were not gazetted. The FET College grant is in terms of a grant and the Cultural Festival is a yearly project which is funded by Department of Sport and Culture and Private Donations. As the municipality is not allowed to increase income via the Virement Policy and the adjustment budget is only approved after the festival took place; this should remain on the budget. The municipality is not allowed to increase income via virements.
- Expenditure on certain items were limited and for the following items and allocations to these items it had to be supported by a list and / or motivation setting out the intention and cost of the expenditure which was used to prioritise expenditures:
 - Special Projects;
 - Consultant Fees;
 - Furniture and office equipment;

- Special Events;
- Refreshments and entertainment;
- Donations;
- Ad-hoc travelling; and
- Subsistence, Travelling & Conference fees (national & international).

In view of the aforementioned, the following table is a consolidated overview of the proposed 2015/2016 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2015/2016 MTREF

R thousands	2014/2015 Adjusted	Budget Year 2015/16	2015/16 % Increase	Budget Year +1 2016/17	2016/17 % Increase	Budget Year +2 2017/18	2017/18 % Increase
Total Operating Revenue	511 549	552 421	8.0%	581 586	5.3%	621 075	6.8%
Total Operating Expenditure	599 171	643 402	7.4%	680 934	5.8%	727 683	6.9%
Surplus/(Deficit)	(87 622)	(90 982)	3.8%	(99 348)	9.2%	(106 608)	7.3%
Total Capital Expenditure	39 477	25 835	-34.6%	20 326	-21.3%	22 151	9.0%

Total operating revenue has grown by 8.0% or R 40.9 million for the 2015/2016 financial year when compared to the 2014/2015 Adjustments Budget. For the two outer years, operational revenue will increase by 5.3% and 6.8% respectively; equating to a total revenue growth of R 109.5 million over the MTREF when compared to the 2014/2015 financial year.

Total operating expenditure for the 2015/2016 financial year has been appropriated at R 643.4 million and translates into a budgeted deficit of R 91.0 million. When compared to the 2014/2015 Adjustments Budget; operating expenditure has grown by 7.4% in the 2015/2016 budget and by 5.8% and 6.9% for each of the respective outer years of the MTREF. The operating deficit for the two outer years steadily increases to R 99.3 million and R 106.6 million. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years. This additional off-setting depreciation is not included in the budget for tariff calculation purposes. However, the municipality can expect to generate a non-cash operating deficit when the 2015/2016 annual financial statements are compiled compliant with the Accounting Standards since this off-setting depreciation is reflected in the Statement of Financial Performance and not directly to the Statement of Changes in Net Assets. If the non-cash and capital transferred to revenue items are being deducted from the operational deficit a cash surplus of R 16.0 million for the 2015/2016 budget and R 4.0 million for the respective outer years of the MTREF will be generated.

The capital budget of R 34.9 million for 2015/2016 is 49.9% less when compared to the 2014/2015 Adjustment Budget. The reduction is due to various projects being finalised in the previous financial year as well as affordability constraints in the light of current economic circumstances. The capital programme further decreases to R 22.6 million in the 2016/2017 financial year and then increases to R 24.3 million in the 2017/2018 financial year. A small portion of the capital budget will be funded from own funding (revenue) over MTREF with anticipated own funding of R 9.1 million; R 2.2 million and R 2.1 million in each of the financial years of the MTREF. Own funding will contribute 26.1%, 9.9% and 8.8% of capital expenditure in each of the MTREF years; and, government grants and transfers will contribute 73.9%, 90.1% and 91.2% of capital expenditure in each of the MTREF years. The projects will be funded from external borrowing. Note that the municipality has reached its prudential borrowing limits and so there is very little scope to substantially increase these borrowing levels over the medium-term. The repayment of capital and interest (debt services costs) has substantially increased over the past four years as a result of the aggressive capital infrastructure programme implemented over the past four years. Consequently, the capital budget remains relatively flat over the medium-term.

1.4 Operating Revenue Framework

For //Khara Hais Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 99 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing / calculating the revenue requirement of each service;

- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of "free" basic services; and
- Tariff policies of the municipality.

The following Table 2 is a summary of the 2015/2016 MTREF (classified by main revenue source). In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus / (deficit).

Table 2 Summary of revenue classified by main revenue source

Description / R thousand	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue By Source									
Property rates	41 242	48 386	58 865	65 416	70 552	70 552	75 488	80 772	86 426
Service charges - electricity revenue	159 821	178 815	207 548	221 832	218 456	218 456	247 425	262 271	278 007
Service charges - water revenue	33 973	39 027	44 483	47 378	45 228	45 228	48 709	52 164	55 863
Service charges - sanitation revenue	22 969	25 249	27 782	28 725	28 727	28 727	30 739	32 892	35 195
Service charges - refuse revenue	16 892	23 181	26 274	26 698	26 690	26 690	29 108	31 731	34 589
Rental of facilities and equipment	6 371	6 273	8 124	8 005	8 792	8 792	9 521	10 358	11 272
Interest earned - external investments	839	1 286	1 165	1 231	500	500	600	636	674
Interest earned - outstanding debtors	2 344	1 779	1 997	1 978	2 393	2 393	2 400	2 544	2 697
Fines	1 521	1 313	873	1 632	403	403	431	457	484
Licences and permits	1 732	1 681	1 642	1 669	1 607	1 607	1 612	1 709	1 811
Agency services	3 245	3 198	3 458	3 497	3 450	3 450	3 450	3 657	3 876
Transfers recognised - operational	55 210	66 750	69 643	64 572	69 463	69 463	73 278	70 958	76 855
Other revenue	10 070	17 109	26 972	9 338	8 279	8 279	9 649	10 228	10 841
Gains on disposal of PPE			3 076	15 200	27 010	27 010	20 010	21 211	22 483
Total Revenue (excluding capital transfers and contributions)	356 229	414 047	481 900	497 171	511 549	511 549	552 421	581 586	621 075

The following Table 3 shows the percentage growth in revenue by main revenue source.

Table 3 Percentage growth in revenue by main revenue source

Description / R thousand	Current Year 2014/15		2015/16 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2015/16	%	Budget Year +1 2016/17	%	Budget Year +2 2017/18	%
Revenue By Source								
Property rates	70 552	13.8%	75 488	13.2%	75 488	13.1%	86 426	13.9%
Service charges - electricity revenue	218 456	42.7%	247 425	44.8%	262 271	45.5%	278 007	44.8%
Service charges - water revenue	45 228	8.8%	48 709	8.8%	52 164	9.1%	55 863	9.0%
Service charges - sanitation revenue	28 727	5.6%	30 739	5.6%	32 892	5.7%	35 195	5.7%
Service charges - refuse revenue	26 690	5.2%	29 108	5.3%	31 731	5.5%	34 589	5.6%
Rental of facilities and equipment	8 792	1.7%	9 521	1.7%	10 358	1.8%	11 272	1.8%
Interest earned - external investments	500	0.1%	600	0.1%	636	0.1%	674	0.1%
Interest earned - outstanding debtors	2 393	0.5%	2 400	0.4%	2 544	0.4%	2 697	0.4%
Fines	403	0.1%	431	0.1%	457	0.1%	484	0.1%
Licences and permits	1 607	0.3%	1 612	0.3%	1 709	0.3%	1 811	0.3%
Agency services	3 450	0.7%	3 450	0.6%	3 657	0.6%	3 876	0.6%
Transfers recognised - operational	69 463	13.6%	73 278	13.3%	70 958	12.3%	76 855	12.4%
Other revenue	8 279	1.6%	9 649	1.7%	10 228	1.8%	10 841	1.7%
Gains on disposal of PPE	27 010	5.3%	20 010	3.6%	21 211	3.7%	22 483	3.6%
Total Revenue (excluding capital transfers and contributions)	511 549	100.0%	552 421	100.0%	576 302	100.0%	621 075	100.0%
Total Revenue from rates and service charges	389 653	76.2%	431 470	78.1%	454 545	78.9%	490 081	78.9%

Revenue generated from rates and services charges forms a significant percentage of the revenue basket of the municipality. Rates and service charge revenues comprise more than three quarters of the total revenue mix. In the 2014/2015 financial year, revenue from rates and services charges totaled R 390.0 million or 76.2%. This increases to R 431.5 million, R 454.5 million and R 490.1 million in the respective financial years of the MTREF. A notable trend is the increase in the total percentage revenue generated from rates and services charges which increases from 76.2% in 2014/2015 to 78.9% in 2017/2018. This growth can be mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality. Details in this regard are contained in Table 63 MBRR SA1 (see page 116).

Electricity sales is the largest revenue source totalling 42.7% or R 218.5 million rand and increases to R 247.4 million by 2017/2018. Property rates is the second largest revenue source totalling 13.2% or R 75.5 million rand and increases to R 86.4 million by 2017/2018. Water is the fourth largest revenue source totalling 8.8% or R 48.7 million rand and increases to R 55.9 million by 2017/2018. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R 73.3 million in the 2015/2016 financial year and steadily increases to R 76.9 million by 2017/2018. Note that the year-on-year growth for the 2015/2016 financial year is 13.3% and 12.3% and 12.4% for the two outer years. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 4 Operating Transfers and Grant Receipts

Description / R thousand	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
RECEIPTS:									
<u>Operating Transfers and Grants</u>									
National Government:	48 352	55 286	62 742	62 828	67 221	67 221	70 905	68 531	74 254
Local Government Equitable Share	46 120	52 652	53 914	56 129	56 129	56 129	57 629	58 936	62 196
Finance Management	1 106	1 160	1 550	1 600	1 600	1 600	1 600	1 625	1 700
Municipal Systems Improvement	625	562	890	934	934	934	930	957	1 033
Energy Efficiency and Demand Management	–	–	–	–	4 000	4 000	6 000	3 000	5 000
EPWP Incentive	–	–	123	125	125	125	123	–	–
Integrated National Electrification Programme	–	–	1 043	368	368	368	860	123	246
Municipal Infrastructure Grant	501	912	5 222	3 672	4 064	4 064	3 764	3 890	4 079
Provincial Government:	4 063	8 014	19 925	1 744	1 871	1 871	2 099	2 137	2 293
Health subsidy	1 170	1 104	2 274	424	1 000	1 000	–	–	–
Housing	1 655	6 313	16 720	–	–	–	–	–	–
Sport and Recreation	398	597	931	1 320	871	871	2 099	2 137	2 293
Department of Water Affairs	840	–	–	–	–	–	–	–	–
District Municipality:	–	–	–	–	–	–	–	–	–
Other grant providers:	773	214	259	–	392	392	274	290	308
SETA Training Subsidy	763	182	–	–	–	–	–	–	–
Sponsors of Cultural Festival	–	–	218	–	330	330	220	233	247
FET Coghsta Learners	–	–	41	–	62	62	54	57	61
Other Grant Providers	10	32	–	–	–	–	–	–	–
Total Operating Transfers and Grants	53 188	63 514	82 925	64 572	69 484	69 484	73 278	70 958	76 855

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6% upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of both Eskom and DWA bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact

they have on the municipality's electricity and in these tariffs are largely outside the control of the municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the municipality's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services; whereas the cost drivers of a municipality are informed by items such as the cost of remuneration of salaries and allowances, bulk purchases of electricity and water, petrol, diesel, chemicals, cement, etcetera. The current challenge facing the municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the municipality has undertaken the tariff setting process relating to service charges as follows.

1.4.1 Property Rates

Property rates partially cover the cost of the provision of general services. However, some of these costs are subsidised through profits generated from trading services (electricity and water sales). Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0.25:1. The implementation of these regulations was done in the 2009/2010 budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R 15 000 (R 45 000 for 2014/2015) of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA);
- 100% rebate may be granted to registered indigents in terms of the Customer Care, Credit Control, Debt Collection and Indigent Support Policy;
- For pensioners, physically and mentally disabled persons, a rebate of 20% to 100% (calculated on a sliding scale) will be granted to owners of rate-able property if the total gross

income of the applicant and / or his / her spouse, if any, does not to exceed the amount R 5 840 per month. In this regard the following stipulations are relevant:

- The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependents without income;
- The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;
- The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
- The property must be categorised as residential; and
- The Municipality may award a 100% grant-in-aid on the assessment rates of rate-able properties of certain classes such as registered welfare organisations, institutions or organisations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply in the prescribed format for such a grant.
- Agricultural properties in terms of the //Khara Hais Municipality's Property Rates Policy may qualify for a further rebate of up to 20%. The owner of such a property must apply in the prescribed format for such a rebate.

A new valuation roll was implemented on the 1st of July 2014. Provision for this expenditure was made in the 2013/2014 Adjustment Budget. Thereafter provision for this expenditure was made on a year-on-year basis for interim valuations. With the implementation of the new valuation roll the agreement between the ZFM agricultural properties that were incorporated with //Khara Hais Municipality concluded. From 1 July 2014 only one tariff will be levied for agricultural properties. The time frame for objections has concluded on 29 April 2014.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2015/2016 financial year based on the $\pm 5.5\%$ increase from 1 July 2015 is contained in Table 5 below.

Table 5 Comparison of proposed rates to levied for the 2015/16 financial year

Category		Proposed Tariff from 1 July 2014	Proposed Tariff from 1 July 2015
		Cent / R 1	Cent / R 1
Residential Properties	(Ratio 1.00: 1.00)	0.09658	1.01892
Residential Zone 3 Properties	(Ratio 1.00: 1.25)	1.20730	1.27370
Public Benefit Organisations	(Ratio 1.00: 1.00)	0.09658	1.01892
Undeveloped Properties	(Ratio 1.00: 2.00)	1.93160	2.03784
Business Properties	(Ratio 1.00: 1.50)	1.44870	1.52838
Industrial Properties	(Ratio 1.00: 1.50)	1.44870	1.52838
State Other Properties	(Ratio 1.00: 1.50)	1.44870	1.52838
State Residential Properties	(Ratio 1.00: 1.50)	0.09658	1.01892
Public Infrastructure	(Ratio 1.00: 1.50)	1.44870	1.52838
Institutional / Educational Properties	(Ratio 1.00: 1.50)	1.44870	1.52838
Agricultural Properties (including small holdings)	(Ratio 1.00: 0.25)	0.24150	0.25473
Resorts with access to refuse and sanitation services	(Ratio 1.00: 1.25)	1.20730	1.27370

1.4.2 Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent households); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

In addition National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective by 2014. Better maintenance of infrastructure and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability. The municipality pumps its raw water from the Orange River and pays DWA for it.

A tariff increase of $\pm 7\%$ from 1 July 2015 for water is proposed. This is based on input cost assumptions (bulk water purchases from DWA); the cost of other inputs like chemicals, vehicle costs and salaries; and, a surplus generated on the water service of a minimum 15%. In addition 6 kl (2014/2015: 10 kl) water per month will again be granted through the equitable share grant to all registered indigent households.

A summary of the proposed tariffs for households (residential) and non-residential are as follows:

Table 6 Proposed Water Tariffs

Category	Proposed Tariff from 1 July 2014	Proposed Tariff from 1 July 2015
	Rand per kl	Rand per kl
RESIDENTIAL		
Basic charge per month	-	-
1 to 6 kl per month	5.00	5.35
7 to 18 kl per month	7.25	7.76
19 to 50 kl per month	5.10	5.46
51 to 80 kl per month	5.61	6.00
more than 81 kl per month	6.42	6.87
NON-RESIDENTIAL		
Basic charge per month (0 -50 mm connection)	282.60	302.40
Basic charge per month (51 -150 mm connection)	774.00	828.18
1 to 6 kl per month	2.70	2.90
7 to 18 kl per month	4.60	4.95
19 to 90 kl per month	4.60	4.95
more than 91 kl per month	4.90	5.25

The following Table 7 shows the impact of the proposed increases in water tariffs on the water charges for a single dwelling-house.

Table 7 Comparison between current water charges and increases (Domestic)

Monthly Consumption kl	Current Amount Payable R	Proposed Amount Payable R	Difference / Increase R	Percentage Change
20	127.20	136.14	8.94	7.03%
30	178.20	190.74	12.54	7.04%
40	229.20	245.34	16.14	7.04%
50	280.20	299.94	19.74	7.04%
80	448.50	479.94	31.44	7.01%
100	576.90	617.34	40.44	7.01%

The tariff structure of the 2015/2016 financial year has not been changed. The tariff structure is designed to charge higher levels of consumption a higher rate, steadily increasing to a rate of R 6.87 per kiloliter for consumption in excess of 81 kl per month.

1.4.3 Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure. An increase of 14.24% in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2015. Due to growth in the

municipality (new provincial hospital and Kalahari Mall included) the demand charges will increase and it will effectively mean bulk purchases in total to be 17.0% for 2015/2016 financial year.

Considering the Eskom increases, the consumer tariff had to be increased by an average of 12.20% to offset the additional bulk purchase cost from 1 July 2015. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which might have a negative impact on the municipality's revenue from electricity.

Registered indigents will again be granted 50 kWh per month as a free basic service through the equitable share grant. Only registered indigent households receive free basic services (property rates, electricity, water, refuse removal and sanitation services). Registered indigent consumers' tariffs will increase with 12.20%.

The following Table 8 shows the impact of the proposed increases in electricity tariffs on the electricity charges for domestic customers:

Table 8 Comparison between current electricity charges and increases (Domestic)

Monthly Consumption 60 amp (1 phase) units	Current Amount Payable R	Proposed Amount Payable R	Difference / Increase R	Percentage Change
100	146.21	164.05	17.84	12.20%
250	365.53	410.13	44.60	12.20%
500	731.05	820.25	89.20	12.20%
750	1 096.58	1 230.38	133.80	12.20%
1 000	1 462.10	1 640.50	178.40	12.20%
2 000	2 924.20	3 281.00	356.80	12.20%

It should further be noted that NERSA has advised that a stepped tariff structure needs to be implemented from 1 July 2011. The effect thereof will be that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor). The municipality is granted exemption for the implementation of step / block tariffs.

Owing to the high increases in Eskom's bulk tariffs over the last five years, it is clearly not possible to fund necessary upgrades through increases in the municipal electricity tariff – as the resultant tariff increases would be unaffordable for the consumers. As part of the 2015/2016 medium-term capital programme, funding has been allocated to electricity infrastructure. These infrastructure is being funded by INEP allocations and own revenue. The total INEP funding is R 7.0 million for 2015/2016, R 1.0 million for 2016/2017 and R 2.0 million for 2017/2018.

1.4.4 Sanitation and Impact of Tariff Increases

A tariff increase of $\pm 7\%$ for sanitation from 1 July 2015 is proposed. This is based on the input cost assumptions related to sanitation services. It should be noted that electricity costs, chemical costs, and, salaries and allowances contributes approximately 45% of waste water treatment input costs; therefore the higher than CPI increase of 7% per cent for sanitation tariffs.

The following factors also contribute to the proposed tariff increase:

- Sanitation charges are calculated according to the size of the improvements on the property with the argument that properties with bigger improvements on it will accommodate more people or business activities that will lead to the use more water to be discharged in the sewerage distribution networks – see calculations made in Table 9 below;
- Free sanitation services will be applicable to all registered indigents households; and
- The total revenue expected to be generated from rendering this service amounts to R 30.7 million for the 2015/2016 financial year.

The following Table 9 compares the current and proposed tariffs for household, business and other consumers.

Table 9 Comparison between current sanitation charges and increases

Category	Proposed Tariff from 1 July 2014	Proposed Tariff from 1 July 2015
	Rand per month	Rand per month
HOUSEHOLD PROPERTIES		
Improvements less than 70 m ²	91.25	85.25
Improvements between 70 m ² and 100 m ²	117.20	109.50
Improvements between 101 m ² and 200 m ²	179.50	167.75
Improvements larger than 200 m ²	214.80	200.75
HOTELS, BUSINESSES AND OFFICES		
For improvements up to 200 m ²	200.50	187.25
The next 300 m ² or portion thereof	200.50	187.25
For the next 400 m ² or portion thereof above 500 m ²	200.50	187.25
INDUSTRIAL PROPERTIES		
For improvements up to 200 m ²	200.50	187.25
The next 300 m ² or portion thereof	168.00	157.00
For the next 400 m ² or portion thereof above 500 m ² to 4 100 m ²	135.65	126.75
For the next 400 m ² or portion thereof above 4 100 m ²	67.15	62.75

The following table shows the impact of the proposed increases in sanitation tariffs on the sanitation charges for a single dwelling-house:

Table 10 Comparison between current sanitation charges and increases, houses

Category	Current Amount Payable per month R	Proposed Amount Payable per month R	Difference / Increase per month R	Percentage Change
Improvements less than 70 m ²	85.25	91.25	6.00	7.04%
Improvements between 70 m ² and 100 m ²	109.50	117.20	7.70	7.03%
Improvements between 101 m ² and 200 m ²	167.75	179.50	11.75	7.00%
Improvements larger than 200 m ²	200.75	214.80	14.05	7.00%

1.4.5 Waste Removal and Impact of Tariff Increases

Currently solid waste removal is operating at a deficit. It is widely accepted that the rendering of this service should at least break even, which is currently not the case. The municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main contributors to this deficit are repairs and maintenance on vehicles, increases in general expenditure such as petrol and diesel and the cost of remuneration.

A ±9% increase in the waste removal tariff is proposed from 1 July 2015.

The following table compares current and proposed amounts payable from 1 July 2015 for refuse removal services.

Table 11 Comparison between current waste removal fees and increases

Category	Proposed Tariff from 1 July 2014	Proposed Tariff from 1 July 2015
	Rand per month	Rand per month
HOUSEHOLD PROPERTIES		
Improvements less than 100 m ²	96.75	88.75
Improvements between 101 m ² and 200 m ²	141.70	130.00
Improvements larger than 200 m ²	180.70	165.75
BUSINESS PROPERTIES		
For improvements up to 200 m ²	20.30	18.60
The next 300 m ² or portion thereof	9.20	8.40
For the next 400 m ² or portion thereof above 500 m ²	4.60	4.20

The amount payable for one removal per week varies from R 96.75 to R 180.70 for a household. This tariff includes free black plastic bags. Indigent households will get this basic service free by means of an indigent subsidy through the equitable share allocation from National Government.

1.4.6 Overall impact of tariff increases on households

The following table shows the overall expected impact of the tariff increases on a middle income household (property with a municipal valuation of R 700 000; 1 000 kWh electricity consumption and 30 kl of water consumption per month); affordable income household (property with a municipal valuation of R 500 000; 500 kWh electricity consumption and 25 kl of water consumption per month) and a low income household (property with a municipal valuation of R 300 000; 350 kWh electricity consumption and 20 kl of water consumption per month). Note that in all instances the overall impact of the tariff increases on household's bills has been kept to between 9.0% and 10.8% per cent. This is mainly due to the increase of electricity of 12.20%, which is in excess of the inflation. Indigent household's bills are fully subsidised.

Table 12 MBRR Table SA14 – Household bills

Description / Rand / Cent	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework			
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16 % incr.	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
'Middle Income Range'										
Rates and services charges:										
Property rates	637.97	689.01	737.24	527.17	527.17	527.17	10.3%	581.63	622.34	665.91
Electricity: Basic levy	–	–	–	–	–	–	–	–	–	–
Electricity: Consumption	742.00	1 271.80	1 363.37	1 464.12	1 464.12	1 464.12	12.2%	1 642.75	1 843.16	2 068.03
Water: Basic levy	–	–	–	–	–	–	–	–	–	–
Water: Consumption	149.70	160.18	171.39	178.20	178.20	178.20	7.0%	190.67	204.02	218.30
Sanitation	163.72	175.18	190.95	204.31	204.31	204.31	7.0%	218.61	233.92	250.29
Refuse removal	107.94	143.56	153.61	164.36	164.36	164.36	9.0%	179.15	195.28	212.85
Other	–	–	–	–	–	–	7.0%	–	–	–
sub-total	1 801.33	2 439.73	2 616.56	2 538.17	2 538.17	2 538.17	10.8%	2 812.82	3 098.72	3 415.38
VAT on Services	162.87	245.10	263.10	282.27	282.27	282.27	10.7%	312.37	346.69	384.93
Total large household bill:	1 964.20	2 684.83	2 879.66	2 820.43	2 820.43	2 820.43	10.8%	3 125.18	3 445.41	3 800.31
% increase/-decrease	10.6%	36.7%	7.3%	(2.1%)	–	–		10.8%	10.2%	10.3%
'Affordable Range'										
Rates and services charges:										
Property rates	443.17	478.62	512.12	366.20	366.20	366.20	12.5%	411.81	440.64	471.48
Electricity: Basic levy	–	–	–	–	–	–	–	–	–	–
Electricity: Consumption	371.00	635.90	681.68	732.06	732.06	732.06	12.2%	821.37	921.58	1 034.01
Water: Basic levy	–	–	–	–	–	–	–	–	–	–
Water: Consumption	129.90	138.99	148.72	152.70	152.70	152.70	7.0%	163.39	174.83	187.06
Sanitation	136.79	146.37	159.54	170.71	170.71	170.71	7.0%	182.66	195.45	209.13
Refuse removal	83.80	111.45	119.25	127.60	127.60	127.60	9.0%	139.08	151.60	165.24
Other	–	–	–	–	–	–	–	–	–	–
sub-total	1 164.66	1 511.33	1 621.32	1 549.27	1 549.27	1 549.27	10.9%	1 718.32	1 884.09	2 066.93
VAT on Services	101.01	144.58	155.29	166.53	166.53	166.53	9.8%	182.91	202.08	223.36
Total small household bill:	1 265.67	1 655.91	1 776.61	1 715.80	1 715.80	1 715.80	10.8%	1 901.23	2 086.17	2 290.29
% increase/-decrease	9.9%	30.8%	7.3%	(3.4%)	–	–		10.8%	9.7%	9.8%
'Indigent' Household receiving free basic services										
Rates and services charges:										
Property rates	–	–	–	–	–	–	–	–	–	–
Electricity: Basic levy	–	–	–	–	–	–	–	–	–	–
Electricity: Consumption	37.10	39.10	41.25	44.30	44.30	44.30	12.2%	49.70	55.77	62.57
Water: Basic levy	–	–	–	–	–	–	–	–	–	–
Water: Consumption	50.34	91.65	98.07	97.20	97.20	97.20	7.0%	104.00	111.28	119.07
Sanitation	–	–	–	–	–	–	–	–	–	–
Refuse removal	–	–	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–	–	–
sub-total	87.44	130.75	139.32	141.50	141.50	141.50	8.6%	153.70	167.05	181.64
VAT on Services	29.93	39.31	42.19	19.81	19.81	19.81	8.6%	21.52	23.39	25.43
Total small household bill:	117.37	170.06	181.50	161.31	161.31	161.31	8.6%	175.22	190.43	207.07
Min: Indigent Subsidy	9%	45%	7%	-11%	0%	0%		9%	9%	9%

1.5 Operating Expenditure Framework

The municipality's expenditure framework for the 2015/2016 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plans no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2015/2016 budget and MTREF (classified per main type of operating expenditure).

Table 13 Summary of operating expenditure by standard classification item

Description / R thousand	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework			
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	%	Budget Year +1 2016/17	Budget Year +2 2017/18
Expenditure By Type										
Employee related costs	157 264	180 521	199 440	211 757	206 160	206 160	221 351	34.4%	236 671	253 057
Remuneration of councillors	6 531	6 804	7 120	7 981	7 981	7 981	8 540	1.3%	9 138	9 777
Debt impairment	1 730	6 401	241	2 000	2 000	2 000	2 000	0.3%	2 120	2 247
Depreciation & asset impairment	79 259	86 846	94 513	110 734	110 734	110 734	108 519	16.9%	106 349	104 222
Finance charges	9 180	14 057	19 944	16 658	15 284	15 284	13 436	2.1%	12 070	11 414
Bulk purchases	106 266	122 837	136 032	150 167	150 167	150 167	175 164	27.2%	196 265	219 922
Other materials	–	–	–	–	–	–	–	0.0%	–	–
Contracted services	10 209	15 962	15 954	14 773	14 097	14 097	12 363	1.9%	12 654	13 687
Transfers and grants	917	25 478	27 210	25 117	20 087	20 087	21 597	3.4%	23 107	24 493
Other expenditure	96 240	61 182	61 383	76 977	72 661	72 661	80 433	12.5%	82 561	88 863
Loss on disposal of PPE	1	–	–	–	–	–	–	0.0%	–	–
Total Expenditure	467 597	520 087	561 837	616 164	599 171	599 171	643 402	100.0%	680 934	727 683

The budgeted allocation for employee related costs for the 2015/2016 financial year totals R 221.4 million, which equals 34.4% per cent of the total operating expenditure and 42.3% of operating expenditure excluding non-cash items. No salary cost-of-living collective agreement for 2015/2016 and onwards exists and the municipality has budgeted for a cost-of-living increase of 7%. This is above the recommended increase of 5.8% per Circular 74 or 4.4% per Circular 75 prescribed by

National Treasury. As SALGA, SAMWU and IMATU could not reach an agreement, we expect that the recommended increase will not be the final increase. The increase of 7.0% includes notch increases which is payable in excess of the normal increases. An annual cost-of-living increase of 7.0% has been included in the two outer years of the MTREF. As part of the municipality's cost reprioritisation and cash management strategy vacancies have been significantly rationalised downwards. In addition expenditure against overtime was significantly reduced, with provisions against this budget item only being provided for emergency services and other critical functions. All overtime is being approved by the Accounting Officer to ensure that the overtime is monitored at all times.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the municipality's budget.

The provision of debt impairment was determined based on an annual collection rate of 98% for the 2014/2015 financial year and the Writing-Off of Irrecoverable Debt Policy of the municipality. This collection rate would have been 99.5% if government honoured their debt payments. For the 2015/2016 financial year this amount equates to R 2.0 million and R 2.2 million for the two outer years. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues. The moratorium on the handover of residential consumers resulted in the ongoing increase of consumer debtors.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R 108.5 million for the 2015/2016 financial and equates to 16.9% of the total operating expenditure. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years. This additional off-setting depreciation is not included in the budget for tariff calculation purposes. However, the municipality can expect to generate a non-cash operating deficit when the 2015/2016 annual financial statements are compiled compliant with the Accounting Standards since this off-setting depreciation is reflected in the Statement of Financial Performance and not directly to the Statement of Changes in Net Assets.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 2.1% (R 13.4 million) of operating expenditure excluding annual redemption for 2015/2016 and decreases to R 11.4 million by 2017/2018. As previously noted, the municipality has reached its prudential limits for borrowing. Therefore no external borrowing is being budgeted for from 2014/2015 – 2017/2018.

Bulk purchases are directly informed by the purchase of electricity from Eskom and water from DWA. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

Other materials to be procured for the maintenance of the municipality's assets are included under other expenditure. This includes an amount of R 18.7 million for the 2015/2016 financial year and R 19.9 million and R 21.1 million for the two outer years of the MTREF. With the adoption of GRAP 17 //Khara Hais Municipality adopted the revaluation method with the higher Depreciated Replacement Cost (DRC), this resulted in a net asset value of R 1.8 billion. Circular 55 requires that municipalities should ensure that repairs and maintenance is at least 8% of the total value of Property, Plant and Equipment, this is however impossible to budget for repairs and maintenance of R 145.6 million as this expenditure must be funded with tariff increases. Therefore the implication of the revaluation method of GRAP 17 is taken into consideration when determining the budgeted amounts for repairs and maintenance.

Contracted services have been identified as a cost saving area for the municipality. As part of the compilation of the 2015/2016 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. In the 2015/2016 financial year, this group of expenditure totals R 12.4 million and has decreased by 12.3% compared to the 2014/2015 adjustments budget, clearly. For the two outer years growth has been limited to 2.4% and 2.6%. As part of the process of identifying further cost efficiencies, a business process re-engineering project will commence in the 2015/2016 financial year to identify alternative practices and procedures, including building in-house capacity for certain activities that are currently being contracted out. The outcome of this exercise will be factored into the next budget cycle and it is envisaged that additional cost savings will be implemented. Further details relating to contracted services can be seen in Table 63 MBRR SA1 (see page 116).

Other expenditure comprises of various line items relating to the daily operations of the municipality. As mentioned above it includes other materials for repair and maintenance of the municipality's assets. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. Growth has been limited to 10.7% for 2015/2016

(repairs and maintenance costs that grows included) and curbed at 2.7% and 7.6% for the two outer years, indicating that significant cost savings have been already realised. Further details relating to other expenditure can be seen in Table 63 MBRR SA1 (see page 116).

The following table gives a breakdown of the main expenditure categories for the 2015/2016 financial year.

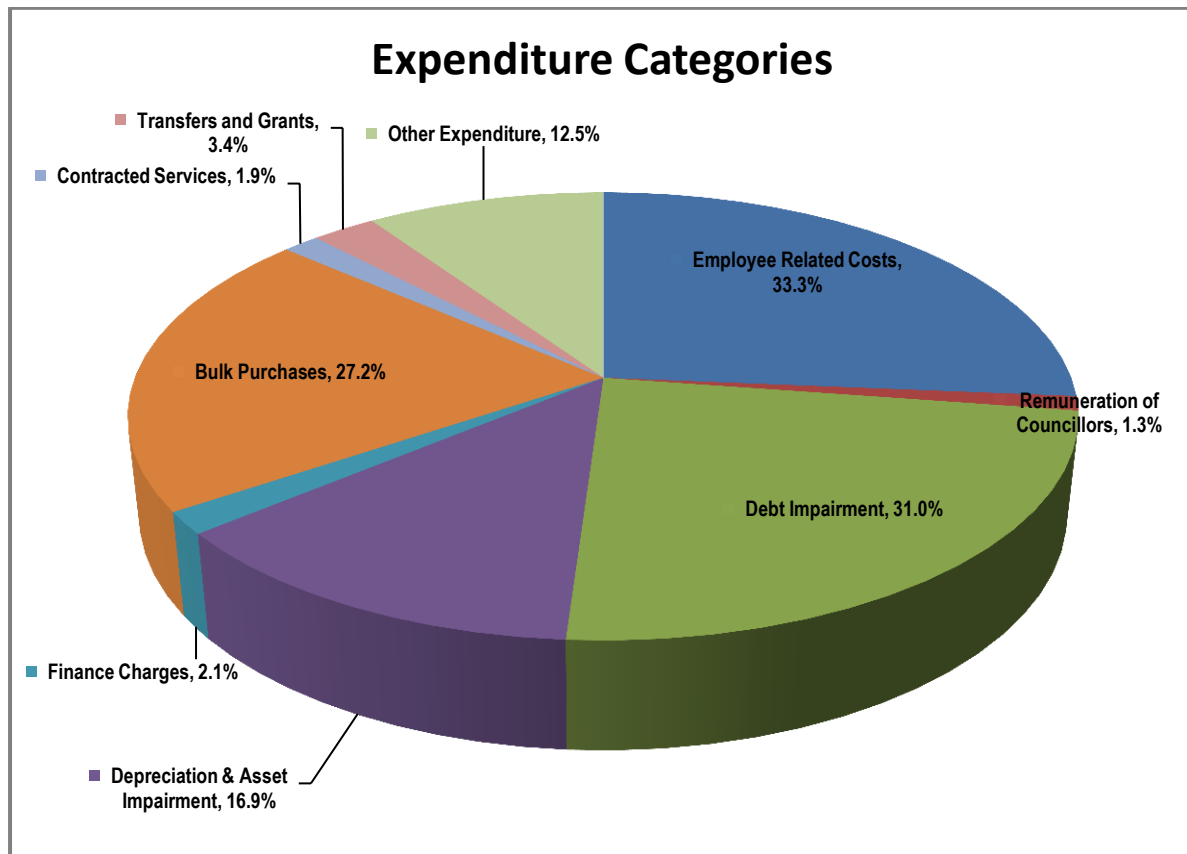


Figure 1 Main operational expenditure categories for the 2015/2016 financial year

1.5.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the municipality's current infrastructure, the 2015/2016 budget and MTREF provide for extensive growth in the area of asset maintenance (higher than the inflation rate), as informed by the asset renewal strategy and repairs and maintenance plan of the municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials, vehicle costs and contracted services.

Unfortunately the financial system of the municipality is set up in such a way that these costs cannot be calculated and allocated very easily to the different asset classes. Therefore the

following table will only reflect other materials to be procured for repairs and maintenance purposes. The revised Table 14 gives a better picture of the consolidated cost drivers of all the expenditures associated with repairs and maintenance.

Table 14 Operational repairs and maintenance

Description / R thousand	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Repairs and Maintenance by Expenditure Item									
Employee related costs	-	-	-	-	-	-	-	-	-
Other materials	10 655	12 636	10 559	17 178	17 345	17 345	17 345	18 748	19 873
Contracted Services	-	-	-	-	-	-	-	-	-
Other Expenditure	-	-	-	-	-	-	-	-	-
Total Repairs and Maintenance Expenditure	10 655	12 636	10 559	17 178	17 345	17 345	17 345	18 748	19 873

Revised Table 14 Operational repairs and maintenance

Description / R thousand	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Repairs and Maintenance by Expenditure Item									
Employee related costs	41 480	47 155	51 074	52 694	52 694	52 694	57 841	61 887	66 216
Transport Costs & Machine / Vehicle Hire	4 873	3 720	7 055	6 417	6 417	6 417	6 738	7 143	7 571
Contracted Services	960	96	986	950	950	950	1 200	1 272	1 348
Other Expenditure	6 768	9 277	11 890	11 148	11 148	11 148	11 349	12 030	12 751
Total Repairs and Maintenance Expenditure	54 081	60 248	71 005	71 209	71 209	71 209	77 128	82 331	87 887

During the compilation of the 2014/2015 Adjustment Budget operational repairs and maintenance was identified as a strategic imperative owing to the aging of the municipality's infrastructure. To this end, total repairs and maintenance was increased by 8.3% per cent in the 2015/2016 financial year, from R 71.2 million to R 77.1 million. As part of the 2015/2016 MTREF this strategic imperative remains a priority as can be seen by the budget appropriations over the MTREF. The total allocation for 2015/2016 equates to R 77.1 million a growth of 8.3% in relation to the 2014/2015 Adjustment Budget and continues to grow at 6.7% over the MTREF. In relation to the total operating expenditure, repairs and maintenance comprises of 12.0%, 12.1% and 12.1% for the respective financial years of the MTREF. 12.1% per cent or R 77.1 million of total repairs and maintenance will be spent on all assets. Table 15 below provides a breakdown of the repairs and maintenance (only other materials costs) in relation to asset class.

Electricity infrastructure has received a significant proportion of this allocation totalling 17.1% (R 3.2 million), followed water infrastructure at 10.6% (R 2.0 million), sanitation infrastructure at

8.7% (R 1.6 million), roads and storm water infrastructure at 5.5% (R 1.0 million) and other infrastructure at 0.2% (R 38 thousand). Community assets has been allocated R 1.5 million of repairs and maintenance costs equating to 7.9% while all other assets equates to R 9.3 million or 50.0%.

Table 15 Repairs and maintenance per asset class

Description / R thousand	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<u>Repairs and maintenance expenditure by Asset Class/Sub-class</u>									
Infrastructure	1 941	2 567	2 176	6 012	2 644	2 644	7 885	8 358	8 860
Infrastructure - Road transport	547	478	570	963	–	–	1 032	1 094	1 159
Infrastructure - Electricity	779	1 387	521	1 883	1 820	1 820	3 201	3 393	3 596
Infrastructure - Water	510	611	743	1 778	825	825	1 980	2 099	2 225
Infrastructure - Sanitation	69	71	335	1 349	–	–	1 635	1 733	1 837
Infrastructure - Other	35	20	7	38	–	–	38	40	42
Community	435	418	301	2 001	–	–	1 486	1 575	1 669
Heritage assets	–	–	–	–	–	–	–	–	–
Investment properties	–	–	–	–	–	–	–	–	–
Other assets	8 280	9 650	8 082	9 165	14 700	14 700	9 377	9 940	10 536
Agricultural assets	–	–	–	–	–	–	–	–	–
Biological assets	–	–	–	–	–	–	–	–	–
Intangibles	–	–	–	–	–	–	–	–	–
Total Repairs and Maintenance Expenditure	10 655	12 636	10 559	17 178	17 345	17 345	18 748	19 873	21 065

1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the municipality's Indigent Policy. It should be noted that the Indigent Subsidy Policy was reviewed and that changes were made. For more detail on the policy visit our website at www.kharahais.gov.za. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement) on page 45.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.6 Capital expenditure

The following table provides a breakdown of budgeted single- and multi-year capital expenditure by vote. For 2015/2016 an amount of R 35.0 million has been appropriated for investment in property, plant and equipment. In the outer years this amount totals R 22.6 million and R 24.3 million respectively for each of the financial years. Community Services receives the highest allocation of R 16.3 million in 2015/2016 which equates to 46.7% of the capital budget.

Table 16 2015/16 Medium-term capital budget per vote

Description / R thousand	Current Year 2014/15		2015/16 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2015/16	%	Budget Year +1 2016/17	%	Budget Year +2 2017/18	%
Capital expenditure - Vote								
Multi-year expenditure to be appropriated								
Vote 1 - MUNICIPAL MANAGER	34	0.1%	–	0.0%	–	0.0%	–	0.0%
Vote 2 - CORPORATE SERVICES	–	0.0%	–	0.0%	–	0.0%	–	0.0%
Vote 3 - FINANCIAL SERVICES	–	0.0%	–	0.0%	–	0.0%	–	0.0%
Vote 4 - COMMUNITY SERVICES	38	0.1%	16 318	46.7%	2 881	12.8%	1 074	4.4%
Vote 5 - TECHNICAL DIRECTOR	–	0.0%	–	0.0%	–	0.0%	–	0.0%
Vote 6 - ELECTRO MECHANICAL SERVICES	6 460	9.9%	50	0.1%	–	0.0%	–	0.0%
Vote 7 - CIVIL ENGINEERING SERVICES	41 024	62.9%	2 499	7.2%	6 726	29.8%	19 323	79.6%
Vote 8 - DEVELOPMENT AND PLANNING SERVICES	–	0.0%	–	0.0%	–	0.0%	–	0.0%
Capital multi-year expenditure sub-total	47 557	73.0%	18 867	54.0%	9 607	42.6%	20 397	84.0%
Single-year expenditure to be appropriated								
Vote 1 - MUNICIPAL MANAGER	190	0.3%	1 500	4.3%	1 500	6.6%	1 500	38.6%
Vote 2 - CORPORATE SERVICES	673	1.0%	–	0.0%	–	0.0%	–	0.0%
Vote 3 - FINANCIAL SERVICES	47	0.1%	–	0.0%	–	0.0%	–	0.0%
Vote 4 - COMMUNITY SERVICES	92	0.1%	–	0.0%	–	0.0%	–	0.0%
Vote 5 - TECHNICAL DIRECTOR	–	0.0%	–	0.0%	–	0.0%	–	0.0%
Vote 6 - ELECTRO MECHANICAL SERVICES	2 536	3.9%	13 616	39.0%	5 959	26.4%	2 383	61.4%
Vote 7 - CIVIL ENGINEERING SERVICES	13 587	20.8%	968	2.8%	5 500	24.4%	–	0.0%
Vote 8 - DEVELOPMENT AND PLANNING SERVICES	498	0.8%	–	0.0%	–	0.0%	–	0.0%
Vote 1 - MUNICIPAL MANAGER	–	0.0%	–	0.0%	–	0.0%	–	0.0%
Capital single-year expenditure sub-total	17 623	27.0%	16 084	46.0%	12 959	57.4%	3 883	16.0%
Total Capital Expenditure - Vote	65 180	100.0%	34 951	100.0%	22 566	100.0%	24 280	100.0%

New assets represent 95.4% or R 33.3 million of the total capital budget while asset renewal equates to 4.6% or R 1.6 million. Further detail relating to asset classes and proposed capital expenditure is contained in Table 26 MBRR A9 (Asset Management) on page 43. In addition to the MBRR Table A9, MBRR Tables SA34a, b and c provides a detailed breakdown of the capital programme relating to new asset construction; capital asset renewal as well as operational repairs and maintenance by asset class (refer to pages 105 - 107).

Some of the salient projects to be undertaken over the medium-term includes, amongst others:

- Establishment of various parks – R 13.4 million;
- Electrification projects for new developments (455 connections in Rosedale West and 314 connections in Dakota Road) – R 15.3 million;

- Installation of high mast lighting – R 4.3 million;
- Installation of water meters – R 6.4 million;
- Development of New Sport Grounds – R 6.9 million; and
- Extension of Kameelmond Sewerage Works – R 26.0 million.

Furthermore pages 109 to 114 contain a detail breakdown of the capital budget per project over the medium-term.

The following graph provides a breakdown of the capital budget spent over the last three years and the capital expenditure to be spent on infrastructure related projects over the MTREF. Please note that the amounts in the graph represent millions of Rand.

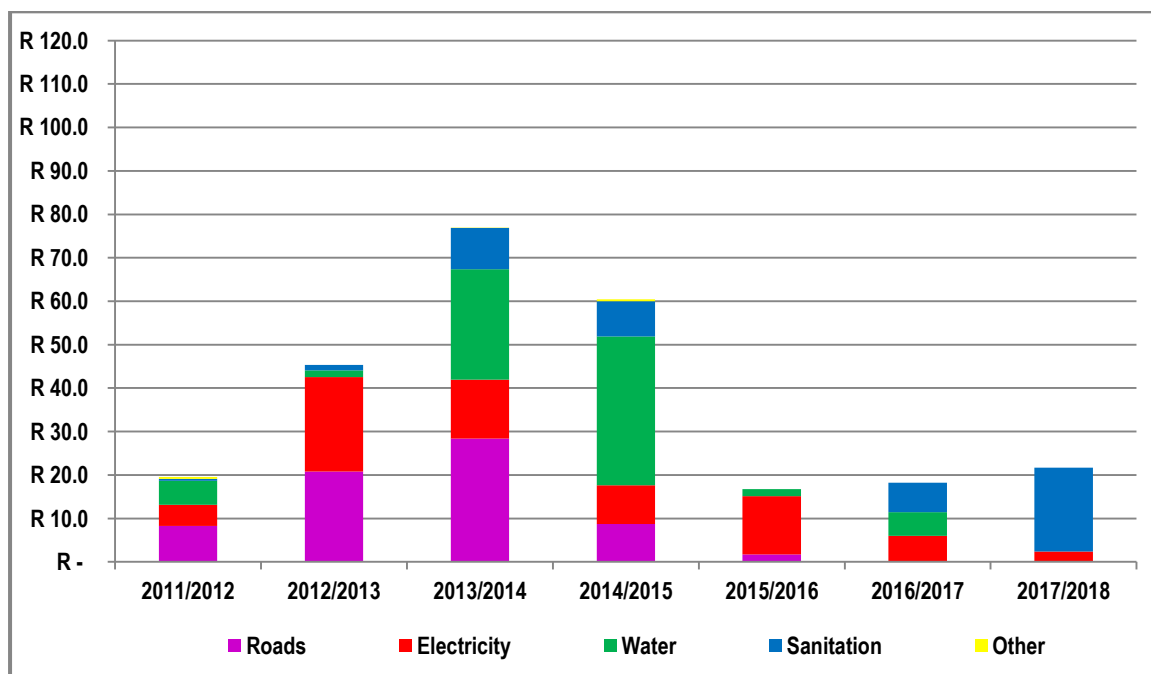


Figure 2 Capital Infrastructure Programme

1.6.1 Future operational cost of new infrastructure

The future operational costs and revenues associated with the capital programme have been included in Table 61 MBRR SA35 on page 108. This concomitant operational expenditure is expected to escalate as new capital projects are implemented. It needs to be noted that as part of the 2015/2016 MTREF, this expenditure has been factored into the two outer years of the operational budget.

1.7 Annual Budget Tables – Parent Municipality

The following eighteen pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2015/2016 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes*.

Explanatory notes to MBRR Table A1 – Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF.
 - b. Capital expenditure is balanced by capital funding sources, of which:
 - Transfers recognised is reflected on the Financial Performance Budget;
 - Borrowing is incorporated in the net cash from financing on the Cash Flow Budget; and
 - Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.

4. The Cash backing / surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. This places the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Funding and Reserves Policy. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs except for the case of eradicating the bucket systems. As per the 2015/2016 DoRA allocations an in-kind allocation to the amount of R 82.9 million is gazetted for the Bucket Eradication Programme.

Table 17 MBRR Table A1 – Budget Summary

Description / R thousand	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Financial Performance									
Property rates	41 242	48 386	58 865	65 416	70 552	70 552	75 488	80 772	86 426
Service charges	233 655	266 272	306 086	324 634	319 102	319 102	355 982	379 057	403 654
Investment revenue	839	1 286	1 165	1 231	500	500	600	636	674
Transfers recognised - operational	55 210	66 750	69 643	64 572	69 463	69 463	73 278	70 958	76 855
Other own revenue	25 284	32 472	46 141	41 319	51 933	51 933	47 073	50 163	53 465
Total Revenue (excluding capital transfers and contributions)	356 229	415 166	481 900	497 171	511 549	511 549	552 421	581 586	621 075
Employee costs	157 264	180 521	199 440	211 757	206 160	206 160	221 351	236 671	253 057
Remuneration of councillors	6 531	6 804	7 120	7 981	7 981	7 981	8 540	9 138	9 777
Depreciation & asset impairment	79 259	86 846	94 513	110 734	110 734	110 734	108 519	106 349	104 222
Finance charges	9 180	14 057	19 944	16 658	15 284	15 284	13 436	12 070	11 414
Materials and bulk purchases	106 266	122 837	136 032	150 167	150 167	150 167	175 164	196 265	219 922
Transfers and grants	917	25 478	27 210	25 117	20 087	20 087	21 597	23 107	24 493
Other expenditure	108 179	83 545	77 578	93 751	88 758	88 758	94 796	97 335	104 798
Total Expenditure	467 597	520 087	561 837	616 164	599 171	599 171	643 402	680 934	727 683
Surplus/(Deficit)	(111 368)	(104 921)	(79 937)	(118 994)	(87 622)	(87 622)	(90 982)	(99 348)	(106 608)
Transfers recognised - capital	14 841	42 157	52 910	22 508	39 477	39 477	25 835	20 326	22 151
Contributions recognised - capital & contributed assets	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	(96 527)	(62 764)	(27 026)	(96 485)	(48 145)	(48 145)	(65 146)	(79 022)	(84 457)
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	(96 527)	(62 764)	(27 026)	(96 485)	(48 145)	(48 145)	(65 146)	(79 022)	(84 457)
Capital expenditure & funds sources									
Capital expenditure	42 518	74 710	94 997	43 679	69 732	69 732	34 951	22 566	24 280
Transfers recognised - capital	12 734	37 878	52 802	22 508	39 477	39 477	25 835	20 326	22 151
Public contributions & donations	–	–	–	–	–	–	–	–	–
Borrowing	26 556	30 072	40 728	20 171	–	–	–	–	–
Internally generated funds	3 227	6 759	1 467	1 000	30 255	30 255	9 116	2 240	2 129
Total sources of capital funds	42 518	74 710	94 997	43 679	69 732	69 732	34 951	22 566	24 280
Financial position									
Total current assets	62 403	81 023	66 096	57 887	65 822	65 822	63 882	62 762	61 512
Total non current assets	1 827 076	1 779 743	1 791 959	1 785 315	1 752 449	1 752 449	1 680 375	1 598 176	1 519 916
Total current liabilities	127 373	143 682	174 836	171 877	188 832	188 832	178 839	169 255	165 261
Total non current liabilities	150 853	213 894	207 056	300 985	201 420	201 420	202 546	207 832	216 774
Community wealth/Equity	1 611 253	1 503 190	1 476 163	1 370 340	1 428 018	1 428 018	1 362 872	1 283 850	1 199 393
Cash flows									
Net cash from (used) operating	9 717	24 690	91 264	21 077	70 402	70 402	31 925	13 186	10 185
Net cash from (used) investing	(36 751)	(74 056)	(91 642)	(28 473)	(42 047)	(42 047)	(14 935)	(1 349)	(1 791)
Net cash from (used) financing	17 173	56 657	(3 107)	8 396	(21 293)	(21 293)	(15 930)	(10 337)	(6 894)
Cash/cash equivalents at the year end	(4 929)	2 362	(1 121)	3 006	5 940	5 940	7 000	8 500	10 000
Cash backing/surplus reconciliation									
Cash and investments available	(4 929)	2 997	(453)	3 006	5 940	5 940	7 000	8 500	10 000
Application of cash and investments	26 644	37 527	81 859	77 254	91 161	91 161	89 423	85 442	86 573
Balance - surplus (shortfall)	(31 572)	(34 529)	(82 312)	(74 249)	(85 221)	(85 221)	(82 423)	(76 942)	(76 573)
Asset management									
Asset register summary (WDV)	1 827 074	1 779 714	1 791 935	1 785 299	1 752 433	1 752 433	1 680 365	1 598 172	1 519 916
Depreciation & asset impairment	79 259	86 846	94 513	110 734	110 734	110 734	108 519	106 349	104 222
Renewal of Existing Assets	4 898	7 043	7 749	400	461	461	1 608	–	–
Repairs and Maintenance	10 655	12 636	10 559	17 178	17 345	17 345	18 748	19 873	21 065
Free services									
Cost of Free Basic Services provided	20 395	24 838	26 879	25 117	20 087	20 087	21 517	23 022	24 403
Revenue cost of free services provided	2 098	2 054	2 181	2 488	2 488	2 488	2 293	2 453	2 625
Households below minimum service level									
Water:	0	–	–	–	–	–	–	–	–
Sanitation/sewerage:	2	7	4	4	4	4	4	2	2
Energy:	2	2	1	0	0	0	0	0	0
Refuse:	–	5	6	8	8	8	8	8	8

**Table 18 MBRR Table A2 – Budgeted Financial Performance
(Revenue and expenditure by standard classification)**

Standard Classification Description / R thousand	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue - Standard									
<i>Governance and administration</i>	118 572	150 834	201 247	170 984	206 052	206 052	193 863	195 539	208 713
Executive and council	18	2	6 913	–	332	332	220	233	247
Budget and treasury office	117 265	149 223	190 135	154 663	176 686	176 686	171 509	171 844	183 596
Corporate services	1 289	1 609	4 199	16 321	29 033	29 033	22 134	23 462	24 870
<i>Community and public safety</i>	14 496	37 169	19 289	16 843	20 515	20 515	17 383	18 604	20 040
Community and social services	544	795	891	1 700	1 738	1 738	2 440	2 499	2 677
Sport and recreation	4 158	21 231	4 499	6 772	10 510	10 510	7 656	8 381	9 176
Public safety	7 040	6 980	6 531	7 496	6 003	6 003	6 018	6 380	6 762
Housing	1 648	6 855	6 151	440	1 250	1 250	1 250	1 325	1 405
Health	1 106	1 308	1 216	435	1 015	1 015	18	19	20
<i>Economic and environmental services</i>	1 950	1 857	5 431	6 247	5 030	5 030	5 431	5 728	6 058
Planning and development	1 232	1 689	5 225	6 011	4 794	4 794	5 171	5 452	5 766
Road transport	718	168	206	236	236	236	260	276	292
<i>Trading services</i>	236 051	267 463	308 843	325 605	319 429	319 429	361 578	382 041	408 415
Electricity	159 951	179 086	207 837	222 156	218 781	218 781	253 016	265 250	282 762
Water	35 878	39 771	46 764	48 026	45 228	45 228	48 714	52 169	55 869
Waste water management	23 242	25 348	27 885	28 725	28 727	28 727	30 739	32 892	35 195
Waste management	16 980	23 257	26 357	26 698	26 692	26 692	29 108	31 731	34 589
<i>Other</i>	1	0	0	–	1	1	1	1	1
Total Revenue - Standard	371 070	457 323	534 810	519 679	551 026	551 026	578 256	601 913	643 226
Expenditure - Standard									
<i>Governance and administration</i>	129 503	134 434	142 606	132 551	124 114	124 114	134 750	139 495	149 612
Executive and council	45 574	29 610	28 490	28 623	33 414	33 414	41 123	40 843	45 106
Budget and treasury office	42 664	51 492	57 056	49 703	47 338	47 338	48 497	51 639	54 866
Corporate services	41 266	53 332	57 060	54 225	43 362	43 362	45 130	47 013	49 639
<i>Community and public safety</i>	64 088	76 164	76 796	90 353	86 786	86 786	88 778	93 715	99 127
Community and social services	6 336	8 140	8 527	9 193	8 456	8 456	9 707	10 223	10 891
Sport and recreation	30 101	30 646	33 032	44 724	43 535	43 535	42 124	44 183	46 400
Public safety	18 861	22 447	23 375	26 866	25 378	25 378	26 782	28 482	30 301
Housing	3 963	9 933	7 255	4 385	4 331	4 331	4 647	4 958	5 290
Health	4 828	4 998	4 607	5 186	5 087	5 087	5 518	5 870	6 246
<i>Economic and environmental services</i>	46 991	50 718	51 211	82 461	80 843	80 843	80 681	81 565	82 667
Planning and development	9 214	11 694	11 777	15 876	16 367	16 367	16 474	17 532	18 681
Road transport	37 777	39 024	39 434	66 586	64 475	64 475	64 207	64 033	63 986
<i>Trading services</i>	225 411	257 079	289 734	308 963	305 875	305 875	337 259	364 096	394 076
Electricity	137 949	160 639	177 714	188 566	192 110	192 110	218 022	239 659	264 025
Water	39 070	41 775	52 237	53 819	50 959	50 959	51 990	53 648	55 481
Waste water management	25 633	27 097	30 806	35 764	33 626	33 626	35 522	37 069	38 726
Waste management	22 758	27 568	28 977	30 815	29 179	29 179	31 724	33 719	35 845
<i>Other</i>	1 604	1 693	1 489	1 835	1 553	1 553	1 935	2 064	2 201
Total Expenditure - Standard	467 597	520 087	561 837	616 164	599 171	599 171	643 402	680 934	727 683
Surplus/(Deficit) for the year	(96 527)	(62 764)	(27 026)	(96 485)	(48 145)	(48 145)	(65 146)	(79 022)	(84 457)

Explanatory notes to MBRR Table A2 – Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure

and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.

2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, but not for Water, Waste Water Management and Waste Management functions. This deficit shown on the above mentioned functions is a non-cash deficit as the depreciation cost of R 15.5 million on Water Services, R 7.4 million on Waste Water Management and R 661 thousand on Waste Management are included in the deficit. This is a result of the implementation of GRAP 17 – as detailed discussed on page 21.
4. Other functions that show a deficit between revenue and expenditure are being financed through the trading services profit, from rates revenues and other revenue sources reflected in the table.

**Table 19 MBRR Table A3 – Budgeted Financial Performance
(Revenue and expenditure by municipal vote)**

Description / R thousand	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue by Vote									
Vote 1 - MUNICIPAL MANAGER	171	48 435	65 770	440	332	332	220	233	247
Vote 2 - CORPORATE SERVICES	1 332	1 623	4 207	16 119	29 029	29 029	22 133	23 461	24 869
Vote 3 - FINANCIAL SERVICES	117 265	100 837	131 270	154 863	176 686	176 686	171 509	171 844	183 596
Vote 4 - COMMUNITY SERVICES	24 549	32 614	33 994	37 044	36 394	36 394	38 584	41 686	45 170
Vote 5 - TECHNICAL DIRECTOR	–	–	–	–	–	–	–	–	–
Vote 6 - ELECTRO MECHANICAL SERVICES	159 954	195 205	207 848	222 158	222 291	222 291	253 017	265 251	282 763
Vote 7 - CIVIL ENGINEERING SERVICES	60 326	66 199	75 713	78 088	74 191	74 191	79 713	85 336	91 356
Vote 8 - DEVELOPMENT AND PLANNING SERVICES	7 474	12 410	16 009	10 967	12 102	12 102	13 080	14 101	15 226
Total Revenue by Vote	371 070	457 323	534 810	519 679	551 026	551 026	578 256	601 913	643 226
Expenditure by Vote to be appropriated									
Vote 1 - MUNICIPAL MANAGER	45 941	29 629	28 508	28 829	33 414	33 414	35 860	38 211	40 720
Vote 2 - CORPORATE SERVICES	25 095	33 471	30 528	31 026	25 828	25 828	28 388	30 052	31 837
Vote 3 - FINANCIAL SERVICES	43 340	52 327	57 958	50 745	48 500	48 500	49 668	52 879	56 180
Vote 4 - COMMUNITY SERVICES	88 700	100 540	106 985	120 557	116 400	116 400	124 706	132 054	140 035
Vote 5 - TECHNICAL DIRECTOR	–	–	–	–	–	–	–	–	–
Vote 6 - ELECTRO MECHANICAL SERVICES	139 835	165 049	187 330	198 134	198 022	198 022	224 034	242 191	268 011
Vote 7 - CIVIL ENGINEERING SERVICES	104 067	112 163	126 921	162 760	155 454	155 454	157 449	160 871	164 732
Vote 8 - DEVELOPMENT AND PLANNING SERVICES	20 619	26 909	23 607	24 114	21 553	21 553	23 299	24 676	26 168
Total Expenditure by Vote	467 597	520 087	561 837	616 164	599 171	599 171	643 402	680 934	727 683
Surplus/(Deficit) for the year	(96 527)	(62 764)	(27 026)	(96 485)	(48 145)	(48 145)	(65 146)	(79 022)	(84 457)

Explanatory notes to MBRR Table A3 – Budgeted Financial Performance (revenue and expenditure by municipal vote)

- Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the municipality. This means it is possible to present the operating surplus or deficit of a vote.

The following table is an analysis of the surplus or deficit for the electricity and water trading services.

- The electricity trading surplus is deteriorating over the 2015/2016 MTREF from 20.8% or R 52.6 million in 2015/2016 to 12.6% by 2017/2018. This is primarily as a result of the high increases in Eskom bulk purchases and the tariff setting policy of the municipality and NERSA to buffer the impact of these increases on individual consumers.
- The surplus on the water account remains relatively constant over the MTREF translating into a surplus of 25.1%, 26.3% and 27.4% for each of the respective financial years.
- Note that the surpluses on these trading accounts are accounted for as an internal funding source for the capital programme for asset renewal, refurbishment and the development of new asset infrastructure, *and to cross-subsidise other municipal services.*

Table 20 Surplus/(Deficit) calculations for the trading services

Description / R thousand	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Electricity									
Total Revenue (Excluding capital)	159 951	179 086	207 837	222 156	218 781	218 781	253 016	265 250	282 762
Operating Expenditure (excluding depreciation)	122 198	146 091	162 348	170 570	174 114	174 114	200 386	222 376	247 087
Surplus/(Deficit) for the year	37 752	32 995	45 490	51 586	44 666	44 666	52 631	42 874	35 674
Percentage Surplus	23.6%	18.4%	21.9%	23.2%	20.4%	20.4%	20.8%	16.2%	12.6%
Water									
Total Revenue (Excluding capital)	35 878	39 771	46 764	48 026	45 228	45 228	48 714	52 169	55 869
Operating Expenditure (excluding depreciation)	26 085	26 706	30 593	37 983	35 124	35 124	36 472	38 440	40 577
Surplus/(Deficit) for the year	9 792	13 065	16 171	10 042	10 105	10 105	12 242	13 729	15 292
Percentage Surplus	27.3%	32.9%	34.6%	20.9%	22.3%	22.3%	25.1%	26.3%	27.4%

Table 21 MBRR Table A4 – Budgeted Financial Performance (revenue and expenditure)

Description / R thousand	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue By Source									
Property rates	41 242	48 386	58 865	65 416	70 552	70 552	75 488	80 772	86 426
Service charges - electricity revenue	159 821	178 815	207 548	221 832	218 456	218 456	247 425	262 271	278 007
Service charges - water revenue	33 973	39 027	44 483	47 378	45 228	45 228	48 709	52 164	55 863
Service charges - sanitation revenue	22 969	25 249	27 782	28 725	28 727	28 727	30 739	32 892	35 195
Service charges - refuse revenue	16 892	23 181	26 274	26 698	26 690	26 690	29 108	31 731	34 589
Rental of facilities and equipment	6 371	6 273	8 124	8 005	8 792	8 792	9 521	10 358	11 272
Interest earned - external investments	839	1 286	1 165	1 231	500	500	600	636	674
Interest earned - outstanding debtors	2 344	1 779	1 997	1 978	2 393	2 393	2 400	2 544	2 697
Fines	1 521	1 313	873	1 632	403	403	431	457	484
Licences and permits	1 732	1 681	1 642	1 669	1 607	1 607	1 612	1 709	1 811
Agency services	3 245	3 198	3 458	3 497	3 450	3 450	3 450	3 657	3 876
Transfers recognised - operational	55 210	66 750	69 643	64 572	69 463	69 463	73 278	70 958	76 855
Other revenue	10 070	17 109	26 972	9 338	8 279	8 279	9 649	10 228	10 841
Gains on disposal of PPE	–	1 120	3 076	15 200	27 010	27 010	20 010	21 211	22 483
Total Revenue (excluding capital transfers and contributions)	356 229	415 166	481 900	497 171	511 549	511 549	552 421	581 586	621 075
Expenditure By Type									
Employee related costs	157 264	180 521	199 440	211 757	206 160	206 160	221 351	236 671	253 057
Remuneration of councillors	6 531	6 804	7 120	7 981	7 981	7 981	8 540	9 138	9 777
Debt impairment	1 730	6 401	241	2 000	2 000	2 000	2 000	2 120	2 247
Depreciation & asset impairment	79 259	86 846	94 513	110 734	110 734	110 734	108 519	106 349	104 222
Finance charges	9 180	14 057	19 944	16 658	15 284	15 284	13 436	12 070	11 414
Bulk purchases	106 266	122 837	136 032	150 167	150 167	150 167	175 164	196 265	219 922
Contracted services	10 209	15 962	15 954	14 773	14 097	14 097	12 363	12 654	13 687
Transfers and grants	917	25 478	27 210	25 117	20 087	20 087	21 597	23 107	24 493
Other expenditure	96 240	61 182	61 383	76 977	72 661	72 661	80 433	82 561	88 863
Loss on disposal of PPE	1	–	–	–	–	–	–	–	–
Total Expenditure	467 597	520 087	561 837	616 164	599 171	599 171	643 402	680 934	727 683
Surplus/(Deficit)	(111 368)	(104 921)	(79 937)	(118 994)	(87 622)	(87 622)	(90 982)	(99 348)	(106 608)
Transfers recognised - capital	14 841	42 157	52 910	22 508	39 477	39 477	25 835	20 326	22 151
Contributions recognised - capital	–	–	–	–	–	–	–	–	–
Contributed assets	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	(96 527)	(62 764)	(27 026)	(96 485)	(48 145)	(48 145)	(65 146)	(79 022)	(84 457)
Taxation	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after taxation	(96 527)	(62 764)	(27 026)	(96 485)	(48 145)	(48 145)	(65 146)	(79 022)	(84 457)
Attributable to minorities	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) attributable to municipality	(96 527)	(62 764)	(27 026)	(96 485)	(48 145)	(48 145)	(65 146)	(79 022)	(84 457)
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	(96 527)	(62 764)	(27 026)	(96 485)	(48 145)	(48 145)	(65 146)	(79 022)	(84 457)

Explanatory notes to Table A4 – Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R 552.4 million in 2015/2016 and escalates to R 621.1 million by 2017/2018. This represents a year-on-year increase of 5.3% for the 2016/2017 financial year and 6.8% for the 2017/2018 financial year.

2. Revenue to be generated from property rates is R 75.5 million in the 2015/2016 financial year and increases to R 86.4 million by 2017/2018 which represents 13.9% of the operating revenue base of the municipality and therefore remains a significant funding source for the municipality. It remains relatively constant over the medium-term and tariff increases have been factored in at $\pm 5.5\%$, 7.0% and 7.0% for each of the respective financial years of the MTREF. //Khara Hais Municipality has reduced the property rates exemption from R 45 000 to R 15 000. This will result in less income foregone and additional revenue being collected.
3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the municipality totalling R 356.0 million for the 2015/2016 financial year and increasing to R 403.7 million by 2016/2018. For the 2015/2016 financial year services charges amount to 64.4% of the total revenue base and grows by about 6.5% per annum over the medium-term. This growth can mainly be attributed to the increase in the bulk prices of electricity and water.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are decreasing / increasing over the MTREF by 5.5%, -3.2% and 8.3%. The percentage share of this revenue source declines due to the more rapid relative growth in service charge revenues.

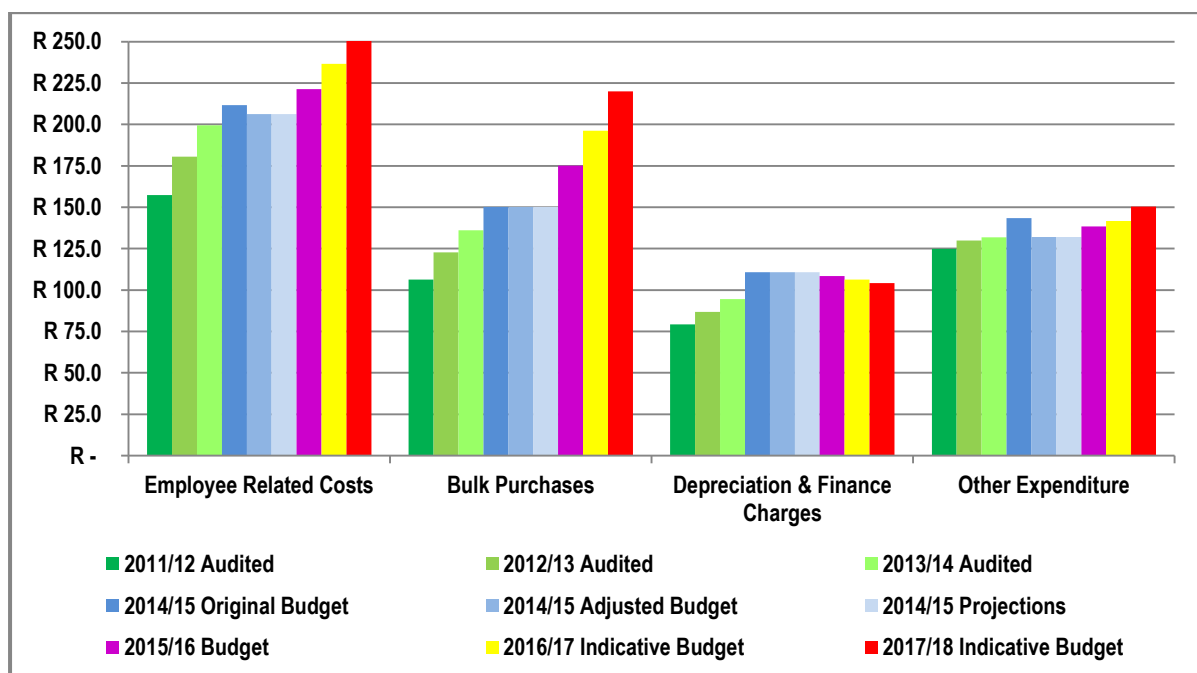


Figure 3 Expenditure by major type

The graph above illustrates the major expenditure items per type. Please note that the amounts in the graph represent millions of rand.

1. Bulk purchases have significantly increased over the 2011/2012 to 2017/2018 period escalating from R 106.3 million to R 219.9 million. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom.
2. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.
3. Off-setting depreciation, due to the implementation of the GRAP Accounting Standards on the municipality's assets that has to be recorded directly into the Statement of Financial Performance instead of the Statement of Changes in Net Assets is skewing the picture with regard to depreciation and finance charges.

Explanatory notes to Table A5 – Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 below is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for the 2015/2016 financial year R 18.9 million has been allocated of the total R 35.0 million capital budget, which totals 54.0%. This allocation decreases to R 9.6 million in 2016/2017 and then increases to R 20.4 million in 2017/2018 owing primarily to the fact that various projects reach completion in 2015/2016 hence the spike in expenditure in year two.
3. Single-year capital expenditure has been appropriated at R 16.1 million for the 2015/2016 financial year and decreases over the MTREF at levels of R 13.0 million and R 3.9 million respectively for the two outer years.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and

specialised tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.

**Table 22 MBRR Table A5 – Budgeted Capital Expenditure
by vote, standard classification and funding source**

Description / R thousand	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Capital expenditure - Vote									
Multi-year expenditure to be appropriated									
Vote 1 - MUNICIPAL MANAGER	93	277	989	–	34	34	–	–	–
Vote 2 - CORPORATE SERVICES	991	5 989	966	–	–	–	–	–	–
Vote 3 - FINANCIAL SERVICES	–	–	–	–	–	–	–	–	–
Vote 4 - COMMUNITY SERVICES	–	78	1 113	–	38	38	16 318	2 881	1 074
Vote 5 - TECHNICAL DIRECTOR	–	–	–	–	–	–	–	–	–
Vote 6 - ELECTRO MECHANICAL SERVICES	18	3 085	2 395	–	6 460	6 460	50	–	–
Vote 7 - CIVIL ENGINEERING SERVICES	7 854	6 375	57 075	7 607	41 024	41 024	2 499	6 726	19 323
Vote 8 - DEVELOPMENT AND PLANNING SERVICES	–	–	–	–	–	–	–	–	–
Capital multi-year expenditure sub-total	8 956	15 805	62 538	7 607	47 557	47 557	18 867	9 607	20 397
Single-year expenditure to be appropriated									
Vote 1 - MUNICIPAL MANAGER	698	760	38	1 000	190	190	1 500	1 500	1 500
Vote 2 - CORPORATE SERVICES	1 034	886	71	–	673	673	–	–	–
Vote 3 - FINANCIAL SERVICES	127	44	154	–	47	47	–	–	–
Vote 4 - COMMUNITY SERVICES	3 013	14 489	9 456	9 451	4 644	92	–	–	–
Vote 5 - TECHNICAL DIRECTOR	–	–	–	–	–	–	–	–	–
Vote 6 - ELECTRO MECHANICAL SERVICES	22 052	25 781	16 406	5 429	2 536	2 536	13 616	5 959	2 383
Vote 7 - CIVIL ENGINEERING SERVICES	6 418	16 923	6 311	20 192	13 587	13 587	968	5 500	–
Vote 8 - DEVELOPMENT AND PLANNING SERVICES	219	22	22	–	498	498	–	–	–
Capital single-year expenditure sub-total	33 561	58 906	32 459	36 071	22 175	17 623	16 084	12 959	3 883
Total Capital Expenditure - Vote	42 518	74 710	94 997	43 679	69 732	65 180	34 951	22 566	24 280
Vote 1 - MUNICIPAL MANAGER	698	760	38	1 000	190	190	1 500	1 500	1 500
Capital single-year expenditure sub-total	1 034	886	71	–	673	673	–	–	–
Total Capital Expenditure - Vote	9 991	16 690	62 609	7 607	48 230	48 230	18 867	9 607	20 397
Capital Expenditure - Standard									
<i>Governance and administration</i>	20 188	15 146	7 460	1 000	966	966	1 800	1 500	1 500
Executive and council	791	1 036	1 027	1 000	224	224	1 500	1 500	1 500
Budget and treasury office	97	44	154	–	47	47	–	–	–
Corporate services	19 300	14 066	6 279	–	695	695	300	–	–
<i>Community and public safety</i>	2 605	14 553	10 571	9 451	4 654	4 654	16 318	2 881	1 074
Community and social services	1 465	2 586	6	–	542	542	–	–	–
Sport and recreation	853	11 825	10 545	9 451	4 048	4 048	16 318	2 881	1 074
Public safety	287	142	20	–	63	63	–	–	–
<i>Economic and environmental services</i>	8 369	20 956	28 375	6 207	11 799	11 799	1 725	–	–
Planning and development	147	94	21	–	498	498	–	–	–
Road transport	8 221	20 862	28 354	6 207	11 301	11 301	1 725	–	–
<i>Trading services</i>	11 356	24 054	48 591	27 021	52 314	52 314	15 108	18 185	21 707
Electricity	4 886	21 688	13 559	5 429	8 975	8 975	13 366	5 959	2 383
Water	5 550	1 800	25 534	15 802	35 169	35 169	1 743	5 500	–
Waste water management	501	551	9 499	5 790	8 141	8 141	–	6 726	19 323
Waste management	418	16	–	–	29	29	–	–	–
Other	–	–	–	–	–	–	–	–	–
Total Capital Expenditure - Standard	42 518	74 710	94 997	43 679	69 732	69 732	34 951	22 566	24 280
Funded by:									
National Government	12 117	23 342	45 651	21 882	24 685	24 685	25 835	20 326	22 151
Provincial Government	–	177	6 586	626	14 758	14 758	–	–	–
District Municipality	–	–	–	–	–	–	–	–	–
Other transfers and grants	617	14 359	565	–	34	34	–	–	–
Transfers recognised - capital	12 734	37 878	52 802	22 508	39 477	39 477	25 835	20 326	22 151
Public contributions & donations	–	–	–	–	–	–	–	–	–
Borrowing	26 556	30 072	40 728	20 171	–	–	–	–	–
Internally generated funds	3 227	6 759	1 467	1 000	30 255	30 255	9 116	2 240	2 129
Total Capital Funding	42 518	74 710	94 997	43 679	69 732	69 732	34 951	22 566	24 280

5. The capital programme is funded from capital and provincial grants and transfers, public contributions and donations and internally generated funds from current year surpluses. For 2015/2016, capital transfers totals R 25.8 million (73.9%) and decreases to R 22.2 million by 2017/2018 (91.2%).

Table 23 MBRR Table A6 – Budgeted Financial Position

Description / R thousand	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
ASSETS									
Current assets									
Cash	6	18 717	2 872	6	7 000	7 000	9 000	10 500	12 000
Call investment deposits	5 363	635	669	13 000	940	940	–	–	–
Consumer debtors	40 012	45 793	50 395	31 375	44 375	44 375	41 375	38 755	36 008
Other debtors	10 791	9 821	6 382	7 000	7 000	7 000	7 000	7 000	7 000
Current portion of long-term receivables	20	6	4	6	6	6	6	6	4
Inventory	6 211	6 051	5 775	6 500	6 500	6 500	6 500	6 500	6 500
Total current assets	62 403	81 023	66 096	57 887	65 822	65 822	63 882	62 762	61 512
Non current assets									
Long-term receivables	2	29	24	16	16	16	10	4	–
Investments	–	–	–	–	–	–	–	–	–
Investment property	221 586	197 430	209 473	223 112	210 973	210 973	212 473	214 063	215 748
Investment in Associate	–	–	–	–	–	–	–	–	–
Property, plant and equipment	1 603 787	1 581 029	1 582 155	1 560 932	1 541 153	1 541 153	1 467 585	1 383 802	1 303 861
Agricultural	–	–	–	–	–	–	–	–	–
Biological	–	–	–	–	–	–	–	–	–
Intangible	1 700	1 255	307	1 255	307	307	307	307	307
Other non-current assets	–	–	–	–	–	–	–	–	–
Total non current assets	1 827 076	1 779 743	1 791 959	1 785 315	1 752 449	1 752 449	1 680 375	1 598 176	1 519 916
TOTAL ASSETS	1 889 479	1 860 766	1 858 055	1 843 203	1 818 271	1 818 271	1 744 257	1 660 938	1 581 428
LIABILITIES									
Current liabilities									
Bank overdraft	10 298	16 354	3 993	10 000	2 000	2 000	2 000	2 000	2 000
Borrowing	13 065	15 920	23 229	18 160	16 430	16 430	10 837	7 394	4 500
Consumer deposits	6 139	7 404	8 112	10 500	10 500	10 500	11 000	11 500	12 000
Trade and other payables	92 741	100 128	134 069	124 217	150 902	150 902	146 002	139 361	137 761
Provisions	5 129	3 876	5 432	9 000	9 000	9 000	9 000	9 000	9 000
Total current liabilities	127 373	143 682	174 836	171 877	188 832	188 832	178 839	169 255	165 261
Non current liabilities									
Borrowing	80 514	133 563	122 438	201 486	105 557	105 557	94 720	87 325	82 825
Provisions	70 339	80 331	84 617	99 499	95 863	95 863	107 826	120 507	133 948
Total non current liabilities	150 853	213 894	207 056	300 985	201 420	201 420	202 546	207 832	216 774
TOTAL LIABILITIES	278 226	357 576	381 892	472 862	390 252	390 252	381 385	377 087	382 035
NET ASSETS	1 611 253	1 503 190	1 476 163	1 370 340	1 428 018	1 428 018	1 362 872	1 283 850	1 199 393
COMMUNITY WEALTH/EQUITY									
Accumulated Surplus/(Deficit)	1 611 253	1 503 190	1 476 163	1 370 340	1 428 018	1 428 018	1 362 872	1 283 850	1 199 393
Reserves	–	–	–	–	–	–	–	–	–
Minorities' interests	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	1 611 253	1 503 190	1 476 163	1 370 340	1 428 018	1 428 018	1 362 872	1 283 850	1 199 393

Explanatory notes to Table A6 – Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councillors, management and other users of budget documentation of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table 65 is supported by an extensive table of notes (SA3 which can be found on page 120) providing a detailed analysis of the major components of a number of items, including:
 - Call investments deposits;
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions non-current;
 - Changes in net assets; and
 - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the Statement of Financial Position.

Table 24 MBRR Table A7 – Budgeted Cash Flow Statement

Description / R thousand	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Property rates, penalties & collection charges	41 242	43 730	46 638	63 916	73 228	73 228	76 488	81 272	86 926
Service charges	261 007	262 552	306 086	328 884	319 102	319 102	355 982	379 057	403 654
Other revenue	17 776	19 961	22 319	24 141	21 031	21 031	23 163	24 819	26 600
Government - operating	53 610	66 750	69 643	64 572	69 463	69 463	73 278	70 958	76 855
Government - capital	14 841	42 157	52 910	22 508	39 477	39 477	25 835	20 326	22 151
Interest	3 183	3 064	3 161	3 208	2 893	2 893	3 000	3 180	3 371
Payments									
Suppliers and employees	(371 844)	(373 990)	(362 340)	(444 377)	(419 419)	(419 419)	(490 788)	(531 249)	(573 465)
Finance charges	(9 180)	(14 057)	(19 944)	(16 658)	(15 284)	(15 284)	(13 436)	(12 070)	(11 414)
Transfers and Grants	(917)	(25 478)	(27 210)	(25 117)	(20 087)	(20 087)	(21 597)	(23 107)	(24 493)
NET CASH FROM/(USED) OPERATING ACTIVITIES	9 717	24 690	91 264	21 077	70 402	70 402	31 925	13 186	10 185
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on disposal of PPE	(1)	1 120	3 076	15 200	27 010	27 010	20 010	21 211	22 483
Decrease (Increase) in non-current debtors	–	–	–	–	–	–	–	–	–
Decrease (increase) other non-current receivables	4	(14)	7	6	6	6	6	6	6
Decrease (increase) in non-current investments	5 763	(635)	(34)	–	669	669	–	–	–
Payments									
Capital assets	(42 518)	(74 527)	(94 690)	(43 679)	(69 732)	(69 732)	(34 951)	(22 566)	(24 280)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(36 751)	(74 056)	(91 642)	(28 473)	(42 047)	(42 047)	(14 935)	(1 349)	(1 791)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
Borrowing long term/refinancing	23 465	65 624	8 540	20 171	–	–	–	–	–
Increase (decrease) in consumer deposits	415	1 265	708	3 000	2 388	2 388	500	500	500
Payments									
Repayment of borrowing	(6 707)	(10 232)	(12 355)	(14 775)	(23 681)	(23 681)	(16 430)	(10 837)	(7 394)
NET CASH FROM/(USED) FINANCING ACTIVITIES	17 173	56 657	(3 107)	8 396	(21 293)	(21 293)	(15 930)	(10 337)	(6 894)
NET INCREASE/ (DECREASE) IN CASH HELD	(9 861)	7 291	(3 484)	1 000	7 061	7 061	1 060	1 500	1 500
Cash/cash equivalents at the year begin:	4 932	(4 929)	2 363	2 006	(1 121)	(1 121)	5 940	7 000	8 500
Cash/cash equivalents at the year end:	(4 929)	2 362	(1 121)	3 006	5 940	5 940	7 000	8 500	10 000

Explanatory notes to Table A7 – Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. It can be seen that the cash levels of the municipality fell significantly over the 2011/2012 to 2013/2014 period owing directly to a net increase / decrease in cash for the 2012/2013 and 2013/2014 financial years of R 7.3 million and R 3.5 million respectively. The 2014/2015 financial year project a net increase of R 7.1 million with an overall projected positive cash position of R 5.9 million. This amount includes unspent conditional grants.

4. The 2015/2016 MTREF provide for a net increase in cash of R 1.1 million for the 2015/2016 financial year resulting in an overall projected positive cash position of R 7.0 million at year end.
5. As part of the 2014/2015 mid-year review and Adjustments Budget this unsustainable cash position had to be addressed as a matter of urgency and various interventions were implemented such as the reduction of expenditure allocations, rationalisation of spending priorities and implementation of a turnaround strategy.
6. In addition the municipality should undertake an extensive debt collection drive resulting in cash receipts on arrear debtors.
7. The 2015/2016 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
8. Cash and cash equivalents totals project R 7.0 million as at the end of the 2015/2016 financial year and escalate to a projected R 10.0 million by 2017/2018.

Table 25 MBRR Table A8 – Cash Backed Reserves/Accumulated Surplus Reconciliation

Description / R thousand	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Cash and investments available									
Cash/cash equivalents at the year end	(4 929)	2 362	(1 121)	3 006	5 940	5 940	7 000	8 500	10 000
Other current investments > 90 days	(0)	635	669	(0)	0	0	0	0	0
Non current assets - Investments	–	–	–	–	–	–	–	–	–
Cash and investments available:	(4 929)	2 997	(453)	3 006	5 940	5 940	7 000	8 500	10 000
Application of cash and investments									
Unspent conditional transfers	31 179	37 174	36 248	22 379	504	504	–	–	–
Other working capital requirements	(4 536)	352	45 611	54 875	90 658	90 658	89 423	85 442	86 573
Reserves to be backed by cash/investments	–	–	–	–	–	–	–	–	–
Total Application of cash and investments:	26 644	37 527	81 859	77 254	91 161	91 161	89 423	85 442	86 573
Surplus(shortfall)	(31 572)	(34 529)	(82 312)	(74 249)	(85 221)	(85 221)	(82 423)	(76 942)	(76 573)

Explanatory notes to Table A8 – Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves / accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.

2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. From the table it can be seen that for the period 2011/2012 to 2014/2015 the cash deficit of R 31.6 million deteriorated to a further cash deficit of R 85.2 million and decreases for the MTREF to R 76.6 million in 2017/2018. The main reason for these "unfunded" projections were a lack of cash due to government not honouring their service charges, outstanding debt, moratorium on handover of consumer debtors, unspent grants not being cash backed for previous financial years, the roll-over of capital projects that is ongoing for more than a year which is being funded from external loans and own funds, housing programme claims not paid out by provincial government and unfunded mandates for Primary Health Care Services, Environmental Services, Library Services, Disaster Management, etc. Based on Circular 74 (Unfunded Mandates) the municipality has identified certain functions, which is not the core function of the municipality and is jeopardizing our financial situation. An item was tabled to Council and discussions and decisions will determine these function(s) will dispose or rented out. The municipality will be unable to raise external loans until the shortfall on A8 is R 0. Therefore Council has approved a Municipal Turn Around Strategy (MTAS) to ensure that our current financial situation improves during the MTREF.
6. Considering the requirements of section 18 of the MFMA, it can be concluded that the draft 2015/2016 MTREF was not funded owing to the deficits.
7. As part of the budgeting and planning guidelines that informed the compilation of the 2015/2016 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

Explanatory notes to Table A9 – Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.

Table 26 MBRR Table A9 – Asset Management

Description / R thousand	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
CAPITAL EXPENDITURE									
<u>Total New Assets</u>	37 620	67 667	87 248	43 279	69 270	69 270	33 344	22 566	24 280
Infrastructure - Road transport	3 887	14 347	22 494	6 207	8 583	8 583	1 725	–	–
Infrastructure - Electricity	4 886	21 714	13 559	5 429	8 971	8 971	11 758	5 959	2 383
Infrastructure - Water	5 404	1 262	25 158	14 776	34 249	34 249	1 652	5 500	–
Infrastructure - Sanitation	356	472	9 247	5 790	7 702	7 702	–	6 726	19 323
Infrastructure - Other	418	–	20	–	483	483	–	–	–
Infrastructure	14 951	37 796	70 478	32 202	59 988	59 988	15 135	18 185	21 707
Community	2 530	11 922	10 471	9 451	4 013	4 013	16 318	2 881	1 074
Heritage assets	–	–	–	–	–	–	–	–	–
Investment properties	–	–	–	–	–	–	–	–	–
Other assets	19 568	17 490	6 269	1 626	5 270	5 270	1 891	1 500	1 500
Intangibles	571	460	30	–	–	–	–	–	–
<u>Total Renewal of Existing Assets</u>	4 898	7 043	7 749	400	461	461	1 608	–	–
Infrastructure - Road transport	4 352	6 454	5 866	–	99	99	–	–	–
Infrastructure - Electricity	–	–	–	–	–	–	1 608	–	–
Infrastructure - Water	147	327	293	400	–	–	–	–	–
Infrastructure - Sanitation	91	78	249	–	357	357	–	–	–
Infrastructure - Other	–	–	–	–	–	–	–	–	–
Infrastructure	4 589	–	6 408	400	456	456	1 608	–	–
Community	–	–	–	–	–	–	–	–	–
Other assets	–	–	1 342	–	6	6	–	–	–
Intangibles	–	–	–	–	–	–	–	–	–
<u>Total Capital Expenditure</u>									
Infrastructure - Road transport	8 239	20 800	28 360	6 207	8 682	8 682	1 725	–	–
Infrastructure - Electricity	4 886	21 714	13 559	5 429	8 971	8 971	13 366	5 959	2 383
Infrastructure - Water	5 550	1 590	25 451	15 176	34 249	34 249	1 652	5 500	–
Infrastructure - Sanitation	446	551	9 496	5 790	8 059	8 059	–	6 726	19 323
Infrastructure - Other	418	–	20	–	483	483	–	–	–
Infrastructure	19 540	44 655	76 885	32 602	60 443	60 443	16 742	18 185	21 707
Community	2 575	11 922	10 471	9 451	4 013	4 013	16 318	2 881	1 074
Heritage assets	–	–	–	–	–	–	–	–	–
Investment properties	–	–	–	–	–	–	–	–	–
Other assets	19 832	17 673	7 611	1 626	5 276	5 276	1 891	1 500	1 500
Intangibles	571	460	30	–	–	–	–	–	–
TOTAL CAPITAL EXPENDITURE - Asset class	42 518	74 710	94 997	43 679	69 732	69 732	34 951	22 566	24 280
ASSET REGISTER SUMMARY - PPE (WDV)									
Infrastructure - Road transport	857 963	816 954	777 531	828 835	803 531	803 531	769 649	722 559	671 054
Infrastructure - Electricity	346 783	339 470	327 143	380 189	378 595	378 595	376 002	371 715	354 150
Infrastructure - Water	470 809	453 694	443 665	486 978	472 083	472 083	468 078	465 122	449 278
Infrastructure - Sanitation	152 107	144 955	137 729	152 400	142 694	142 694	146 502	140 158	163 550
Infrastructure - Other	32 225	29 533	27 111	32 772	30 569	30 569	31 259	35 164	38 167
Infrastructure	1 859 887	1 784 607	1 713 179	1 881 174	1 827 472	1 827 472	1 791 490	1 734 717	1 676 198
Community	64 731	62 195	61 830	71 097	74 982	74 982	67 226	71 568	58 485
Heritage assets	4 273	4 273	4 273	4 273	4 273	4 273	4 273	4 273	4 273
Investment properties	179 157	182 357	182 357	182 357	182 357	182 357	182 357	182 357	182 357
Other assets	272 856	265 738	269 444	302 623	314 513	314 513	315 490	309 641	303 040
Intangibles	3 245	2 093	1 700	2 652	3 092	3 092	3 092	4 592	6 092
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	1 827 074	1 779 714	1 791 935	1 785 299	1 752 433	1 752 433	1 680 365	1 598 172	1 519 916
EXPENDITURE OTHER ITEMS									
<u>Depreciation & asset impairment</u>	79 259	86 846	94 513	110 734	110 734	110 734	108 519	106 349	104 222
<u>Repairs and Maintenance by Asset Class</u>	10 655	12 636	10 559	17 178	17 345	17 345	18 748	19 873	21 065
Infrastructure - Road transport	547	478	570	963	–	–	1 032	1 094	1 159
Infrastructure - Electricity	779	1 387	521	1 883	1 820	1 820	3 201	3 393	3 596
Infrastructure - Water	510	611	743	1 778	825	825	1 980	2 099	2 225
Infrastructure - Sanitation	69	71	335	1 349	–	–	1 635	1 733	1 837
Infrastructure - Other	35	20	7	38	–	–	38	40	42
Infrastructure	1 941	2 567	2 176	6 012	2 644	2 644	7 885	8 358	8 860
Community	435	418	301	2 001	–	–	1 486	1 575	1 669
Heritage assets	–	–	–	–	–	–	–	–	–
Investment properties	–	–	–	–	–	–	–	–	–
Other assets	8 280	9 650	8 082	9 165	14 700	14 700	9 377	9 940	10 536
TOTAL EXPENDITURE OTHER ITEMS	89 914	99 482	105 072	127 912	128 079	128 079	127 267	126 222	125 287
Renewal of Existing Assets as % of total capex	11.5%	9.4%	8.2%	0.9%	0.7%	0.7%	4.6%	0.0%	0.0%
Renewal of Existing Assets as % of deprecn"	6.2%	8.1%	8.2%	0.4%	0.4%	0.4%	1.5%	0.0%	0.0%
R&M as a % of PPE	0.7%	0.8%	0.7%	1.1%	1.1%	1.1%	1.3%	1.4%	1.6%
Renewal and R&M as a % of PPE	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%

2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The municipality cannot meet these recommendations due to a lack of financial resources and the implementation GRAP 17.
3. The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF. It highlights the municipality's strategy to address the maintenance of assets.

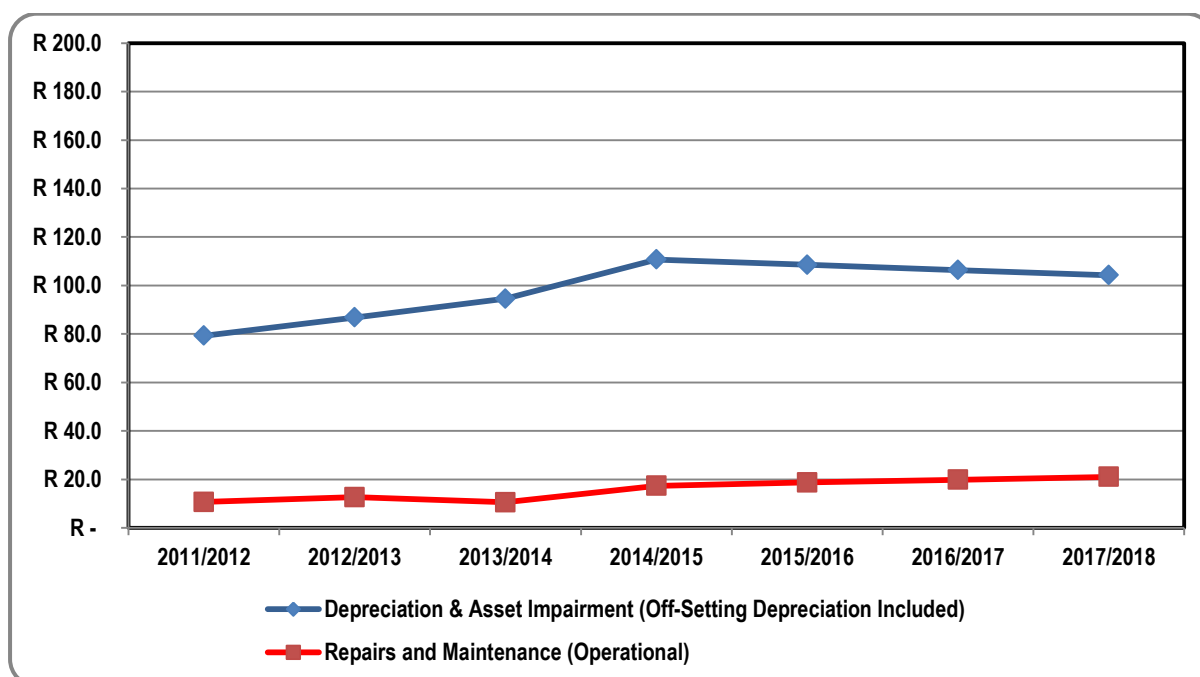


Figure 4 Depreciation in relation to repairs and maintenance over the MTREF

4. Depreciation and asset impairment costs (off-setting depreciation included) due to the implementation of the GRAP Accounting Standards on the carrying values of componentised assets makes it virtually unaffordable to maintain the municipality's assets at depreciated replacement cost.

Explanatory notes to Table A10 – Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.

Table 27 MBRR Table A10 – Basic Service Delivery Measurement

Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Household service targets									
<u>Water:</u>									
Piped water inside dwelling	9 971	9 971	10 221	10 690	10 690	10 690	11 225	11 786	11 786
Piped water inside yard (but not in dwelling)	6 190	6 190	6 680	7 710	7 710	7 710	8 096	8 500	8 500
Using public tap (at least min.service level)	1 716	2 150	2 485	2 995	2 995	2 995	3 145	3 302	3 302
Other water supply (at least min.service level)	–	–	–	–	–	–	–	–	–
Minimum Service Level and Above sub-total	17 877	18 311	19 386	21 395	21 395	21 395	22 465	23 588	23 588
Using public tap (< min.service level)	–	–	–	–	–	–	–	–	–
Other water supply (< min.service level)	249	–	–	–	–	–	–	–	–
No water supply	–	–	–	–	–	–	–	–	–
Below Minimum Service Level sub-total	249	–	–	–	–	–	–	–	–
Total number of households	18 126	18 311	19 386	21 395	21 395	21 395	22 465	23 588	23 588
<u>Sanitation/sewerage:</u>									
Flush toilet (connected to sewerage)	13 191	13 193	13 452	13 930	13 930	13 930	14 627	15 358	15 358
Flush toilet (with septic tank)	217	320	380	470	470	470	494	518	518
Chemical toilet	–	–	–	–	–	–	–	–	–
Pit toilet (ventilated)	151	272	151	151	151	151	159	166	166
Other toilet provisions (> min.service level)	1 441	1 730	2 140	2 680	2 680	2 680	2 814	2 955	2 955
Minimum Service Level and Above sub-total	15 000	15 515	16 123	17 231	17 231	17 231	18 093	18 997	18 997
Bucket toilet	1 688	5 990	3 350	3 570	3 570	3 570	3 749	1 130	1 130
Other toilet provisions (< min.service level)	–	–	–	–	–	–	–	–	–
No toilet provisions	366	562	345	295	295	295	310	325	325
Below Minimum Service Level sub-total	2 054	6 552	3 695	3 865	3 865	3 865	4 058	1 455	1 455
Total number of households	17 054	22 067	19 818	21 096	21 096	21 096	22 151	20 452	20 452
<u>Energy:</u>									
Electricity (at least min.service level)	1 886	1 886	1 860	1 830	1 830	1 830	1 922	2 018	2 018
Electricity - prepaid (min.service level)	17 181	18 220	19 070	20 240	20 240	20 240	21 252	22 770	22 923
Minimum Service Level and Above sub-total	19 067	20 106	20 930	22 070	22 070	22 070	23 174	24 787	24 940
Electricity (< min.service level)	–	–	–	–	–	–	–	–	–
Electricity - prepaid (< min. service level)	–	–	–	–	–	–	–	–	–
Other energy sources	2 075	1 518	1 057	207	207	207	217	228	228
Below Minimum Service Level sub-total	2 075	1 518	1 057	207	207	207	217	228	228
Total number of households	21 142	21 624	21 987	22 277	22 277	22 277	23 391	25 015	25 168
<u>Refuse:</u>									
Removed at least once a week	18 880	13 900	15 000	18 500	18 500	18 500	19 425	20 396	21 000
Minimum Service Level and Above sub-total	18 880	13 900	15 000	18 500	18 500	18 500	19 425	20 396	21 000
Removed less frequently than once a week	–	5 100	5 500	7 550	7 550	7 550	7 928	8 324	8 380
Using communal refuse dump	–	–	–	–	–	–	–	–	–
Using own refuse dump	–	–	–	–	–	–	–	–	–
Other rubbish disposal	–	–	–	–	–	–	–	–	–
No rubbish disposal	–	–	–	–	–	–	–	–	–
Below Minimum Service Level sub-total	–	5 100	5 500	7 550	7 550	7 550	7 928	8 324	8 380
Total number of households	18 880	19 000	20 500	26 050	26 050	26 050	27 353	28 720	29 380
<u>Households receiving Free Basic Service</u>									
Water (10 kilolitres per household per month)	6 818	10 577	11 826	13 038	11 611	11 611	6 084	6 084	6 084
Sanitation (free minimum level service)	–	10 577	11 826	13 038	11 611	11 611	6 084	6 084	6 084
Electricity/other energy (50kwh per household per month)	–	6 645	6 645	7 326	5 527	5 527	5 300	5 300	5 300
Refuse (removed at least once a week)	–	10 577	11 826	13 038	11 611	11 611	6 084	6 084	6 560
Cost of Free Basic Services provided (R'000)									
Water (10 kilolitres per household per month)	–	–	–	–	–	–	–	–	–
Sanitation (free sanitation service)	–	–	–	–	–	–	–	–	–
Electricity/other energy (50kwh per household per month)	–	–	–	–	–	–	–	–	–
Refuse (removed once a week)	–	–	–	–	–	–	–	–	–
Indigent Subsidy Totals	20 395	24 838	26 879	25 117	20 087	20 087	21 597	23 107	24 493
Total cost of FBS provided (minimum social package)	20 395	24 838	26 879	25 117	20 087	20 087	21 597	23 107	24 493
<u>Highest level of free service provided</u>									
Property rates (R value threshold)	45 000	45 000	45 000	45 000	45 000	45 000	15 000	15 000	15 000
Water (kilolitres per household per month)	10	10	10	10	10	10	6	6	6
Sanitation (Rand per household per month)	–	–	–	–	–	–	–	–	–
Sanitation (Rand per household per month)	–	164	175	201	201	201	211	221	237
Electricity (kwh per household per month)	50	50	50	50	50	50	50	50	50
Refuse (R per household per month)	–	–	–	132	132	132	139	146	159
<u>Revenue cost of free services provided (R'000)</u>									
Property rates (R45 000 threshold rebate)	2 098	2 054	2 181	2 488	2 488	2 488	2 613	2 743	2 935
Property rates (other exemptions, reductions and rebates)	–	–	–	–	–	–	–	–	–
Water	–	–	–	–	–	–	–	–	–
Sanitation	–	–	–	–	–	–	–	–	–
Electricity/other energy	–	–	–	–	–	–	–	–	–
Refuse	–	–	–	–	–	–	–	–	–
Municipal Housing - rental rebates	–	–	–	–	–	–	–	–	–
Housing - top structure subsidies	–	–	–	–	–	–	–	–	–
Indigent Subsidy Totals	–	–	–	–	–	–	–	–	–
Total revenue cost of free services provided (total social package)	2 098	2 054	2 181	2 488	2 488	2 488	2 613	2 743	2 935

2. The municipality continues to make good progress with the eradication of backlogs:
 - a. The minimum level of water services is available to all households – formal as well as informal areas.
 - b. Sanitation services backlogs decreases to the projected 1 130 households in 2017/2018 who receive a service below the minimum service level. This is due to the Bucket Eradication Programme which is funded from an in-kind grant allocation to DWA. This programme will eradicate over 2 000 bucket toilets.
 - c. Electricity services backlogs will be reduced to an estimated 228 households by 2017/2018. Although the MTREF indicates the electrification of 769 houses together with electricity infrastructure through INEP grants and own funding, the growing need of more housing makes this an on-going exercise.
 - d. The minimum level of refuse removal services is available to all households – formal as well as informal areas.
3. The changes in the Indigent Subsidy Policy will result in less households to be registered as indigent in 2015/2016, and therefore result in less households entitled to receive Free Basic Services.
4. It is anticipated that these Free Basic Services will cost the municipality R 21.6 million in 2015/2016, stabilise at R 24.5 million by 2017/2018. This is covered by the municipality's equitable share allocation from national government.
5. Included in the Free Basic Services, the municipality also 'gives' households R 2.6 million in free services in 2015/2016, and it increases to R 2.9 million in 2017/2018. This 'tax expenditure' needs to be seen within the context of the municipality's overall revenue management strategy – the more the municipality gives away, the less there is available to fund other services. Currently, the 'free services' represent about 1.7% of service charges and property rates.

2 Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Executive Committee members, the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Mayor.

The primary aims of the Budget Steering Committee are to ensure:

- That the process followed to compile the budget complies with legislation and good budget practices;
- That there is proper alignment between the policy and service delivery priorities set out in the municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- That the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- That the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2013) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget process plan with time schedule before the 31st of August 2014. Key dates applicable to the process were:

- **November 2014** – 1st Budget work session of all councillors and senior management. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2015/2016 MTREF;

- **January 2015** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines and the compilation of the 1st draft MTREF;
- **January 2015** – Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;
- **February 2015** – Multi-year budget proposals are submitted to the Executive Committee (2nd budget work session of all councillors and senior management) for endorsement;
- **28 February 2015** – Council considers the 2014/2015 Mid-year Review and Adjustments Budget;
- **31 March 2015** – Tabling in Council of the draft 2015/2016 IDP, 2015/2016 draft SDBIP and 2015/2016 draft MTREF for public consultation;
- **April 2015 – May 2015** – Public consultation
- **8 May 2015** – Closing date for written comments;
- **26 May 2015** – Finalisation and workshop with Council of the 2015/2016 IDP and 2015/2016 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **29 May 2015** – Tabling of the 2015/2016 MTREF before Council for consideration and final approval.

There were no serious deviations from the key dates set out in the Budget Time Schedule tabled in Council.

2.1.2 IDP and Service Delivery and Budget Implementation Plan

This is a newly developed IDP for Council after the municipal elections that were held in May 2012.

The municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the newly developed IDP includes the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2015/2016 MTREF, based on the approved 2014/2015 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2015/2016 MTREF, each department / function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2014/2015 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.1.3 Financial Modeling and Key Planning Drivers

As part of the compilation of the 2015/2016 MTREF; extensive financial modelling were undertaken to ensure affordable tariffs and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2015/2016 MTREF:

- Municipality's growth;
- Policy priorities and strategic objectives;
- Asset maintenance;
- Economic climate and trends (i.e. inflation, Eskom increases, household debt, migration patterns);
- Performance trends;

- The approved 2014/2015 adjustments budget and performance against the SDBIP;
- Cash Flow Management Strategy;
- Debtor payment levels;
- Loan and investment possibilities;
- The need for tariff increases versus the ability of the community to pay for services; and
- Improved and sustainable service delivery.

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 74 - 75 has been taken into consideration in the planning and prioritisation process.

2.1.4 Community Consultation

The draft 2015/2016 MTREF as tabled before Council on 31 March 2015; and, for community consultation was published on the municipality's website and hard copies were made available at customer care offices, municipal notice boards and various libraries.

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Ward Committees will be utilised to facilitate the community consultation process during April 2015 – May 2015, and it included a public workshop for all councillors, senior management, ward committee members, sector departments, organisational stakeholders and any member of the local public. The applicable dates and venue were published in all the local newspapers.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects will be addressed, and where relevant considered as part of the finalisation of the 2015/2016 MTREF. Feedback and responses to the submissions received are available on request. The following are some of the issues and concerns raised as well as comments received during the consultation process:

- Electrification connections to houses in Rosedale; and
- Water and electricity connections for informal settlements

Significant changes effected in the final 2014/2015 MTREF compared to the draft 2014/2015 MTREF that was tabled for community consultation, include:

- Installation of water meters – R 5.0 million;
- Inclusion of electrification project for 455 Houses in Rosedale West – R 9.1 million;

- Inclusion of electrification project for 300 connections in Dakota Road – R 6.6 million; and
- Inclusion of electrification project for 791 connections in various areas – R 17.4 million.

2.2 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realised through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the municipality strategically complies with the key national and provincial priorities.

The aim of this newly developed IDP was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between

national and provincial priorities, policies and strategies and the municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPis);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's eleven strategic objectives for the 2015/2016 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 28 IDP Strategic Objectives

Key Performance Area (KPA)	Key Performance Indicator (KPI)	Strategic Objective
KPA 1: Land Management	1. Spatial Development, Town Planning and Land-use Management	Provide the framework and vision required for improving the quality of life of the people living in //Khara Hais
		Manage the development of sustainable land use, economic, spatial and environmental planning according to predetermined acceptable levels
KPA 2: Service Delivery and Infrastructure Delivery	2. Water Resources and Services;	Develop, manage and maintain essential bulk water infrastructure and facilities to accommodate the aspirations, needs and pressures of present and future industries, businesses and dependent communities
		Develop, manage and maintain necessary infrastructure and facilities required to improve the provision of water services
	3. Sewerage;	Develop, manage and maintain essential bulk sewerage infrastructure and facilities to accommodate the aspirations, needs and pressures of present and future industries, businesses and dependent communities
		Develop, manage and maintain necessary infrastructure and facilities required to improve the provision of sewerage services

	4.	Human Settlement and Housing;	Eradicate housing backlogs in municipal area
			Provide for sustainable human settlements (housing)
	5.	Energy and Electricity;	Provide, manage and maintain essential infrastructure required to improve electricity provision
	6.	Roads, Transport and Storm Water Drainage;	Develop, manage and maintain necessary Road, Transport and Storm water infrastructure and facilities required to improve transportation in, and aesthetic qualities of urban areas
	7.	Sanitation, Waste Management and Waste Removal	Regulate and manage waste disposal to prevent pollution of the natural environment and natural resources
KPA 3: Local Economic Development	8	Economic Growth and Job Creation	Promote the development of tourist infrastructure that will enhance tourism
			Create an environment that promotes the development of a diversified and sustainable economy
KPA 4: Financial Viability	9 10	Community Development and Facilities; and Administrative and Institutional Capacity	Provide equal access to sport, park, recreational facilities and other public amenities to all residents
KPA 5: Institutional Transformation			Manage and maintain municipal property, plant, equipment and vehicle fleet
			Pro-active prevention, mitigation, identification and management of environmental health, fire and disaster risks
			Provide safety to communities through law enforcement services and through legislative requirements
			Promote and improve public relations through stakeholder participation and good customer service.
			Align institutional arrangements to provide an effective and efficient support service to deliver on organizational objectives.
KPA 6: Good Governance and Customer Care			Enable and improve financial viability and management through well-structured budget processes, financial systems and MFMA compliance
KPA 7: Social Services			

In order to ensure integrated and focused service delivery between all spheres of government it was important for the municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives (National KPA's):

1. Provision of quality basic services and infrastructure which includes, amongst others:

- Provide electricity;
- Provide water;
- Provide sanitation;
- Provide waste removal;
- Provide housing;
- Provide roads and storm water;

- Provide public transport;
 - Provide city planning services; and
 - Maintaining the infrastructure of the municipality.
2. Economic growth and development that leads to sustainable job creation by:
- Ensuring there is a clear structural plan for the municipality;
 - Ensuring planning processes function in accordance with set timeframes; and
 - Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
3. Fight poverty and build clean, healthy, safe and sustainable communities:
- Effective implementation of the Indigent Policy;
 - Working with the provincial department of health to provide primary health care services;
 - Extending waste removal services and ensuring effective city cleansing;
 - Ensuring all waste water treatment works are operating optimally;
 - Working with strategic partners such as SAPS to address crime;
 - Ensuring safe working environments by effective enforcement of building and health regulations;
 - Promote viable, sustainable communities through proper zoning; and
 - Promote environmental sustainability by protecting wetlands and key open spaces.
4. Integrated Social Services for empowered and sustainable communities:
- Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme.
5. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:
- Optimising effective community participation in the ward committee system; and
 - Implementing Batho Pele in the revenue management strategy.
6. Promote sound governance through:
- Publishing the outcomes of all tender processes on the municipal website.
7. Ensure financial sustainability through:
- Reviewing the use of contracted services; and

- Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan.

8. Optimal institutional transformation to ensure capacity to achieve set objectives:

- Review of the organizational structure to optimize the use of personnel.

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the municipality. The five-year programme responds to the development challenges and opportunities faced by the municipality by identifying the key performance areas to achieve the five national strategic objectives mentioned above.

In addition to the five-year IDP, the municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the municipality's IDP, associated sectorial plans and strategies, and the allocation of resources of the municipality and other service delivery partners.

This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas/objectives as outlined below:

- Developing dormant areas;
- Enforcing hard development lines – so as to direct private investment;
- Maintaining existing urban areas;
- Strengthening key economic clusters;
- Building social cohesion;
- Strong developmental initiatives in relation to the municipal institution as a whole; and
- Sound financial fundamentals.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the newly developed IDP, including:

- Strengthening the analysis and strategic planning processes of the municipality;
- Initiating zonally planning processes that involve the communities in the analysis and planning processes. More emphasis was placed on area based interventions, within the overall holistic framework;

- Ensuring better co-ordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

The 2015/2016 MTREF has therefore been directly informed by the IDP revision process and tables 29 – 31 provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

**Table 29 MBRR Table SA4 –
Reconciliation between the IDP strategic objectives and budgeted revenue**

Strategic Objective / R thousand	Goal	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
KPA 1: Land Management	Provide the framework and vision required for improving the quality of life of the people living in //Khara Hais	590	728	4 428	4 909	3 682	3 682	4 032	4 274	4 531
	Manage the development of sustainable land use, economic, spatial and environmental planning according to predetermined acceptable levels	–	–	5 183	–	–	–	–	–	–
KPA 2: Service Delivery and Infrastructure Delivery	Provide for sustainable human settlements (housing)	1 600	679	648	–	1 250	1 250	1 250	1 325	1 405
	Regulate and manage waste disposal to prevent pollution of the natural environment and natural resources	20 336	27 451	31 488	29 869	30 561	30 561	32 182	35 019	38 107
	Develop, manage and maintain necessary road, transport and storm water infrastructure and facilities required to improve transportation in and aesthetic qualities of urban areas	1 212	564	375	879	442	442	465	493	522
	Develop, manage and maintain essential bulk water infrastructure and facilities to accommodate the aspirations, needs and pressures of present and future industries, businesses and dependent communities	36 367	40 683	47 622	48 501	46 330	46 330	49 843	53 336	57 092
	Develop, manage and maintain essential bulk sewerage infrastructure and facilities to accommodate the aspirations, needs and pressures of present and future industries, businesses and dependent communities.	20 932	22 432	23 903	25 925	25 810	25 810	27 615	29 549	31 619
	Develop, manage and maintain necessary infrastructure and facilities required to improve the provision of sewerage services	61	31	67	64	64	64	69	74	79
	Provide, manage and maintain essential infrastructure required to improve electricity provision	159 951	179 086	207 837	222 156	218 781	218 781	247 753	262 618	278 376
	Eradicate housing backlogs in municipal area	49	6 178	321	–	–	–	–	–	–
	Develop, manage and maintain necessary infrastructure and facilities required to improve the provision of water services	–	–	–	626	–	–	–	–	–
	Promote the development of tourist infrastructure that will enhance tourism	5 235	4 825	5 488	6 058	6 058	6 058	6 658	7 324	8 055
	Create an environment that promotes the development of a diversified and sustainable economy	478	318	510	339	306	306	325	345	365
KPA 4: Financial Viability	Enable and improve financial viability and management through well-structured budget processes, financial systems and MFMA Compliance	76 023	100 837	131 210	154 863	176 686	176 686	171 509	171 844	183 596
KPA 5: Institutional Transformation	Align institutional arrangements to provide an effective and efficient support service to deliver on organisational objectives	770	694	7 077	380	542	542	470	498	528
KPA 6: Good Governance and Customer Care	Facilitate the establishment of good governance practices	41 240	48 749	58 841	–	11	11	10	11	11
	Provide equal access to sport, park, recreational facilities and other public amenities to all residents	5 881	23 399	6 134	9 567	11 833	11 833	14 378	12 205	14 562
	Manage and maintain municipal property, plant, equipment and vehicle fleet	350	392	3 649	15 521	28 630	28 630	21 679	22 980	24 359
	Promote and improve public relations through stakeholder participation and good customer service	–	–	4	–	–	–	–	–	–
	Pro-active prevention, mitigation, identification and management of environmental health, fire and disaster risks	(2)	280	24	22	37	37	18	19	20
	Provide safety to communities through law enforcement services and through legislative requirements	(2)	(2)	(1)	–	3	3	–	–	–
Total Revenue (excluding capital transfers and contributions)		371 070	457 323	534 810	519 679	551 026	551 026	578 256	601 913	643 226

**Table 30 MBRR Table SA5 –
Reconciliation between the IDP strategic objectives and budgeted operating expenditure**

Strategic Objective / R thousand	Goal	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
KPA 1: Land Management	Provide the framework and vision required for improving the quality of life of the people living in //Khara Hais	3 811	3 903	4 337	4 846	4 206	4 206	4 465	4 755	5 065
	Manage the development of sustainable land use, economic, spatial and environmental planning according to predetermined acceptable levels	648	464	3 135	–	–	–	–	–	–
KPA 2: Service Delivery and Infrastructure Delivery	Provide for sustainable human settlements (housing)	3 963	3 823	4 023	4 385	4 331	4 331	4 647	4 958	5 290
	Develop, manage and maintain necessary road, transport and storm water infrastructure and facilities required to improve transportation in and aesthetic qualities of urban areas	37 887	39 034	39 452	66 666	64 641	64 641	64 377	64 208	64 167
	Develop, manage and maintain essential bulk water infrastructure and facilities to accommodate the aspirations, needs and pressures of present and future industries, businesses and dependent communities	39 868	45 212	55 709	56 917	57 103	57 103	57 409	59 395	61 595
	Develop, manage and maintain essential bulk sewerage infrastructure and facilities to accommodate the aspirations, needs and pressures of present and future industries, businesses and dependent communities	15 100	13 455	14 651	17 955	18 433	18 433	19 645	20 606	21 635
	Develop, manage and maintain necessary infrastructure and facilities required to improve the provision of sewerage services	7 001	9 561	11 788	11 673	8 776	8 776	8 986	9 119	9 266
	Provide, manage and maintain essential infrastructure required to improve electricity provision	137 949	160 639	177 714	188 566	192 110	192 110	218 022	239 659	264 025
	Develop, manage and maintain necessary infrastructure and facilities required to improve the provision of water services	–	52	73	2 500	–	–	–	–	–
	Promote the development of tourist infrastructure that will enhance tourism	9 626	9 915	9 297	12 004	10 059	10 059	10 982	11 588	12 239
	Create an environment that promotes the development of a diversified and sustainable economy	1 580	1 238	1 442	1 524	1 394	1 394	1 573	1 674	1 783
KPA 3: Local Economic Development	Enable and improve financial viability and management through well-structured budget processes, financial systems and MFMA Compliance	42 664	51 492	56 994	49 703	47 338	47 338	48 497	51 639	54 866
	Align institutional arrangements to provide an effective and efficient support service to deliver on organisational objectives	43 426	28 667	27 279	33 759	36 755	36 755	39 895	42 475	45 225
KPA 4: Financial Viability	Provide equal access to sport, park, recreational facilities and other public amenities to all residents	38 322	41 432	44 601	57 101	55 791	55 791	60 874	61 122	66 085
KPA 5: Institutional Transformation	Manage and maintain municipal property, plant, equipment and vehicle fleet	7 709	18 015	21 267	12 981	9 708	9 708	8 803	8 262	8 292
KPA 6: Good Governance and Customer Care	Promote and improve public relations through stakeholder participation and good customer service	5 227	5 240	4 865	6 464	5 340	5 340	5 687	6 050	6 437
	Pro-active prevention, mitigation, identification and management of environmental health, fire and disaster risks	8 809	11 569	12 508	13 542	12 906	12 906	13 785	14 698	15 674
	Provide safety to communities through law enforcement services and through legislative requirements	12 273	13 363	15 287	17 334	14 597	14 597	15 493	16 539	17 658
Total Expenditure		467 596	520 087	561 837	616 164	599 171	599 171	643 402	680 934	727 683

**Table 31 MBRR Table SA6 –
Reconciliation between the IDP strategic objectives and budgeted capital expenditure**

Strategic Objective / R thousand	Goal	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
KPA 1: Land Management	Provide the framework and vision required for improving the quality of life of the people living in //Khara Hais	98	–	–	–	–	–	–	–	–
KPA 2: Service Delivery and Infrastructure Delivery	Provide for sustainable human settlements (housing)	–	–	–	–	–	–	–	–	–
	Regulate and manage waste disposal to prevent pollution of the natural environment and natural resources	433	16	–	–	83	83	–	–	–
	Develop, manage and maintain necessary road, transport and storm water infrastructure and facilities required to improve transportation in and aesthetic qualities of urban areas	8 221	20 862	28 354	6 207	11 301	11 301	1 725	–	–
	Develop, manage and maintain essential bulk water infrastructure and facilities to accommodate the aspirations, needs and pressures of present and future industries, businesses and dependent communities	5 550	1 886	25 534	15 802	35 184	35 184	1 743	5 500	–
	Develop, manage and maintain essential bulk water infrastructure and facilities to accommodate the aspirations, needs and pressures of present and future industries, businesses and dependent communities	186	165	237	5 790	5 994	5 994	–	6 726	19 323
	Develop, manage and maintain essential bulk sewerage infrastructure and facilities to accommodate the aspirations, needs and pressures of present and future industries, businesses and dependent communities.	340	385	9 262	–	2 093	2 093	–	–	–
	Develop, manage and maintain necessary infrastructure and facilities required to improve the provision of sewerage services	5 024	21 688	13 559	5 429	8 975	8 975	13 366	5 959	2 383
KPA 3: Local Economic Development	Promote the development of tourist infrastructure that will enhance tourism	67	13	2	–	35	35	–	–	–
	Create an environment that promotes the development of a diversified and sustainable economy	34	9	20	–	483	483	–	–	–
KPA 4: Financial Viability	Enable and improve financial viability and management through well-structured budget processes, financial systems and MFMA Compliance	97	44	154	–	47	47	–	–	–
KPA 5: Institutional Transformation	Align institutional arrangements to provide an effective and efficient support service to deliver on organisational objectives	65	1	1	1 000	148	148	1 500	1 500	1 500
KPA 6: Good Governance and Customer Care	Facilitate the establishment of good governance practices	1 704	3 089	1 993	–	91	91	–	–	–
	Provide equal access to sport, park, recreational facilities and other public amenities to all residents	2 527	14 425	10 569	9 451	4 619	4 619	16 318	2 881	1 074
	Manage and maintain municipal property, plant, equipment and vehicle fleet	18 084	11 989	5 313	–	680	680	300	–	–
	Promote and improve public relations through stakeholder participation and good customer service	20	12	0	–	–	–	–	–	–
	Pro-active prevention, mitigation, identification and management of environmental health, fire and disaster risks	18	115	–	–	–	–	–	–	–
	Provide safety to communities through law enforcement services and through legislative requirements	50	12	–	–	–	–	–	–	–
Total Capital Expenditure		42 518	74 710	94 997	43 679	69 732	69 732	34 951	22 566	24 280

2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

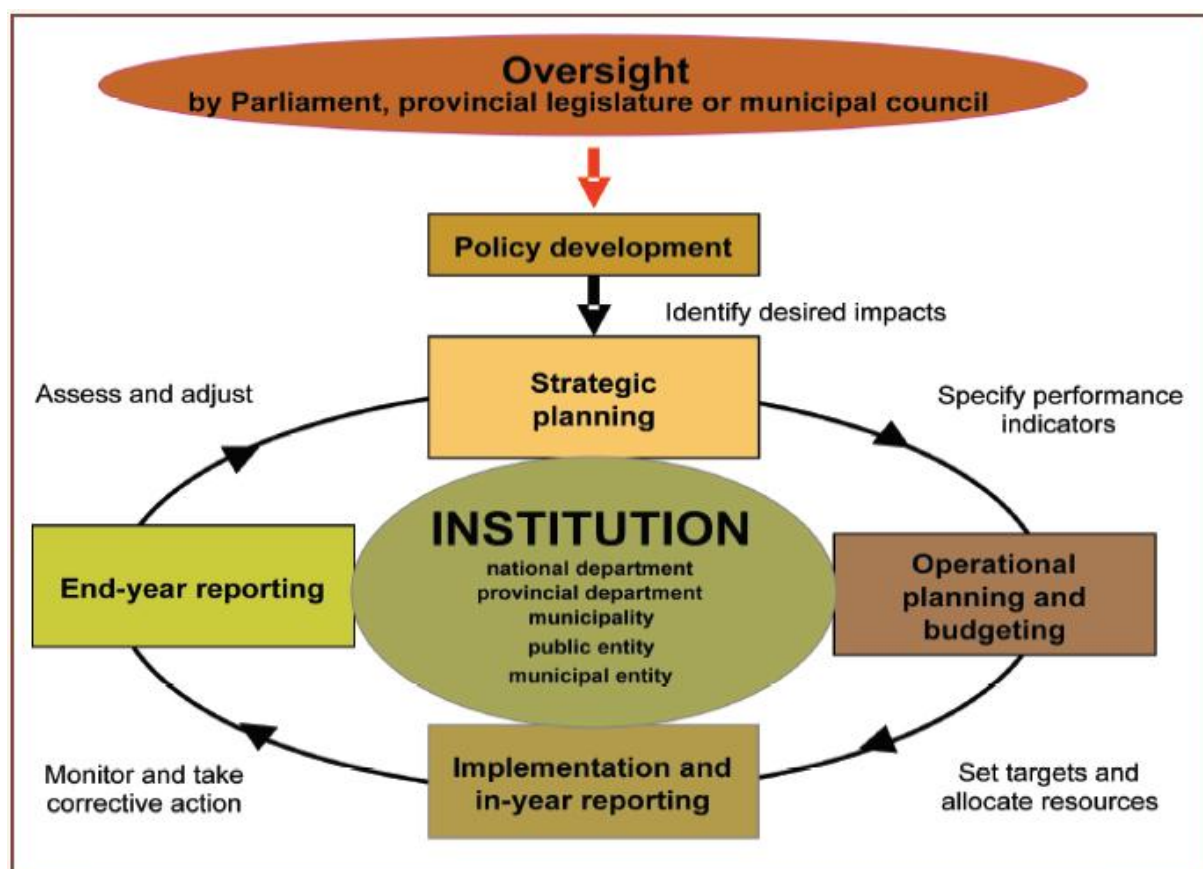


Figure 5 Planning, budgeting and reporting cycle

The performance of the municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the municipality in its integrated performance management system are aligned to the **Framework of Managing Programme Performance Information** issued by the National Treasury:

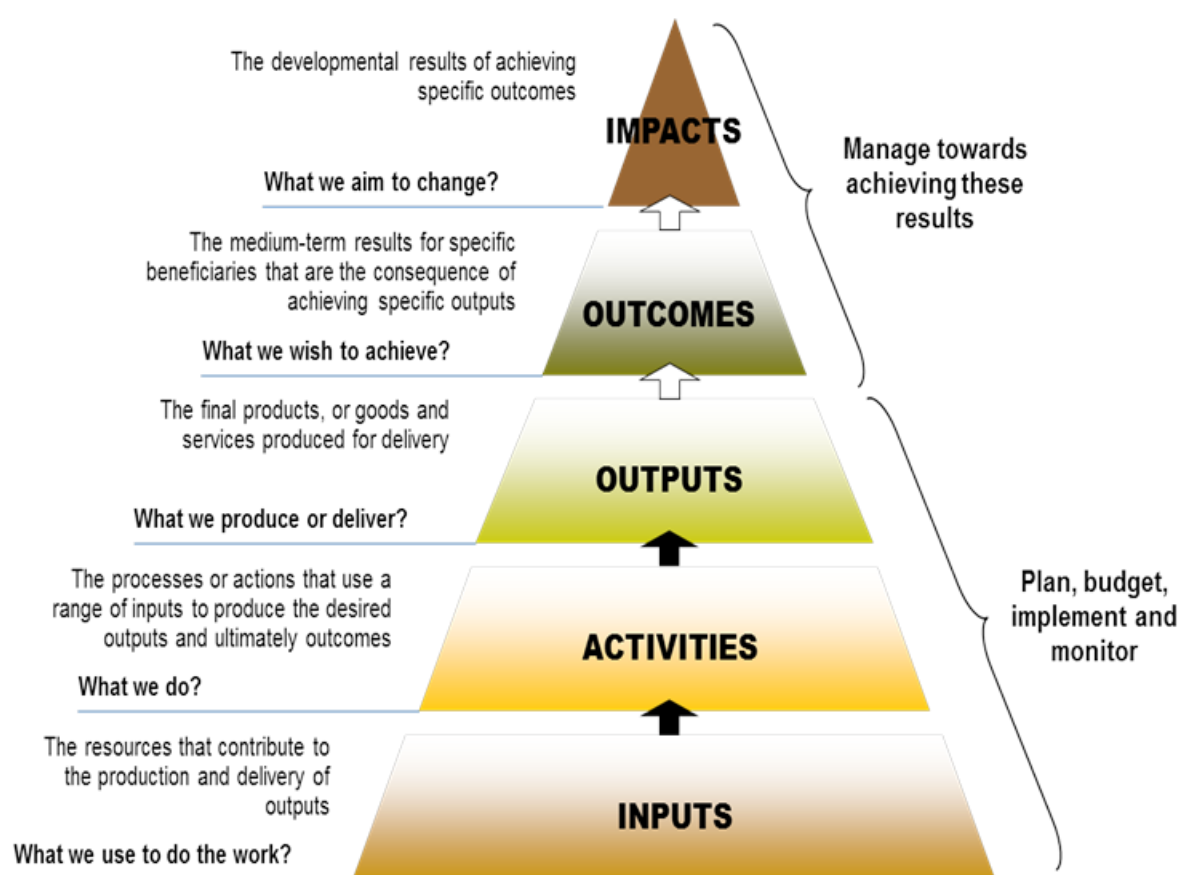


Figure 6 Definition of performance information concepts

The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

Table 32 MBRR Table SA7 – Measurable performance objectives

Description	Unit of measurement	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Municipal Manager										
1001: Vegetable Project										
Percentage of operating expenditure spent	Percentage	98.0%	69.0%	95.0%	95.0%	95.0%	95%	95.0%	95.0%	95.0%
Communication Gaps and Communication Facilities										
0017: Intergovernmental Relations										
Percentage of operating budget expenditure spent	Percentage	100.0%	32.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%
Other Focus Areas										
0002: Municipal Council										
Percentage of capital budget spent	Percentage	100.0%	78.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%
0011: Municipal Manager										
Measure performance of Municipal Manager as per	Quarterly Report	Fully Effective	Above	Above	Fully Effective	Fully Effective	Fully Effective	Fully Effective	Fully Effective	Fully Effective
0013: Youth Council										
Percentage of operating budget expenditure spent	Percentage	100.0%	100.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%
0032: Internal Audit										
Monitoring of the activities in the Internal Audit Plan and Audit Committee meetings	Audit Reports / AC Minutes	Audit Plan fully executed / 2 AC meetings	Audit Plan fully executed / 4 AC meetings	Audit Plan fully executed / 4 AC meetings	Audit Plan fully executed / 4 AC Meetings	Audit Plan fully executed / 4 AC Meetings	Audit Plan fully executed / 4 AC Meetings	Audit Plan fully executed / 4 AC Meetings	Audit Plan fully executed / 4 AC Meetings	Audit Plan fully executed / 4 AC Meetings
1009: Activism Against Women & Children										
Percentage of operating budget revenue raised /	Percentage	100.0%	100.0%	99.0%	99.0%	99.0%	99.0%	99.0%	99.0%	99.0%
1020: Youth in Human Settlements										
Percentage of operating budget revenue raised /	Percentage	0.0%	100.0%	99.0%	99.0%	99.0%	99.0%	99.0%	99.0%	99.0%
Corporate Services										
Other Focus Areas										
0001: Administration										
Keeping of archive and records compliant with legislation	Narrative	File plan in line with National Archives and Records Service Acts	File plan in line with National Archives and Records Service Acts	File plan in line with National Archives and Records Service Acts	File plan in line with National Archives and Records Service Acts	File plan in line with National Archives and Records Service Acts	File plan in line with National Archives and Records Service Acts	File plan in line with National Archives and Records Service Acts	File plan in line with National Archives and Records Service Acts	File plan in line with National Archives and Records Service Acts
0004: Property Administration										
Keeping of hall rental registers	Narrative	100% Evidence in terms of bookings / requests for use	100% Evidence in terms of bookings / requests for use	100% Evidence in terms of bookings / requests for use	100% Evidence in terms of bookings / requests for use	100% Evidence in terms of bookings / requests for use	100% Evidence in terms of bookings / requests for use	100% Evidence in terms of bookings / requests for use	100% Evidence in terms of bookings / requests for use	100% Evidence in terms of bookings / requests for use
0009: Human Resources										
Reviewed and approved Employment Equity Plan as per legislation	Narrative	Plan in place	Plan in place	Plan in place	Plan approved every 5 years	Plan approved every 5 years	Plan approved every 5 years	Plan approved every 5 years	Plan approved every 5 years	Plan approved every 5 years
0033: Information Technology										
Maintain information technology equipment, networks	Quarterly Reports	4 Reports	4 Reports	4 Reports	4 Reports	4 Reports	4 Reports	4 Reports	4 Reports	4 Reports
0039: Legal Services										
Report on legal supporting services rendered to	Monthly Report	Function not in	Function not in	9 Reports	12 Reports	12 Reports	12 Reports	12 Reports	12 Reports	13 Reports
0008: Strategic Operations and Public Relations										
Percentage of capital budget spent	Percentage	87.0%	0.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%
0043: Commonage										
Percentage of operating budget expenditure spent	Percentage	83%	88%	95%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%
1017: Commonage Fund (Emerging Farmers)										
Percentage of operating budget expenditure spent	Percentage	100%	100%	95%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%
Financial Services										
Other Focus Areas										
0007: Directorate Financial Services										
Render monthly accounts for municipal services	Number	+/- 18 000	+/- 18 500	+/- 19 000	+/- 20 000	+/- 20 000	+/- 20 000	+/- 20 500	+/- 21 000	+/- 21 000
0034: Fleet Management										
Monitoring and reporting (quarterly) on economic,	Monthly Report	Not	Not	Not	12 Reports	12 Reports	12 Reports	12 Reports	12 Reports	12 Reports
1002: Finance Management Grant										
Building the capacity of financial or other interns	Number	3	3	5	5	5	5	5	5	5
1013: Municipal Systems Improvement Grant										
Improvement of policies, procedures and systems to address all compliance and other matters in the AG report	Narrative	Qualified with other matters	Unqualified with other matters	Unqualified with no other matters	Unqualified with no other matters	Unqualified with no other matters	Unqualified with no other matters	Unqualified with no other matters	Unqualified with no other matters	Unqualified with no other matters
Community Services										
Road & Transport Infrastructure										
0035: Parking Area Development										
Percentage of capital budget spent	Percentage	51.0%	0.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%

Description	Unit of measurement	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Sewerage & Sanitation										
0027: Refuse Removal Services										
Percentage and number of households with access to	Percentage	98%	98%	95%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%
Lack of Sport, Park & Recreation Facilities & General Appearance of Town										
0050: Parks										
Maintenance of parks as per maintenance programme	Quarterly Report	4 Reports	4 Reports	4 Reports	4 Reports	4 Reports	4 Reports	4 Reports	4 Reports	4 Reports
Lack of Sufficient Health Facilities and Other										
0003: Libraries										
Number and percentage of library material issued	Number	118 076	103 341	104 000	76 000	76 000	76 000	76 000	76 000	76 000
1004: Masincedane Library Project										
Percentage of capital budget spent	Percentage	79%	37%	95%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%
0020: Traffic Services										
Number of fines issued and percentage collected	Number / Percentage	9 718 / 32%	14 489 / 35%	11 384 / 34%	14 901 / 39%	14 901 / 39%	14 901 / 39%	15 795 / 41%	16 743 / 43%	16 743 / 43%
0021: Fire Brigade Services										
Percentage of call-outs responded to within the	Percentage / Number	81% / 113	70% / 113	80%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
0023: Disaster Management										
Review Disaster Management Plan annually as	Reviewed DMP	DMP Reviewed	DMP Reviewed	DMP Reviewed	DMP Reviewed	DMP Reviewed	DMP Reviewed	DMP Reviewed	DMP Reviewed	DMP Reviewed
0025: Environmental Health Services										
As per national legislation scope of practise required	4 Reports	4 Reports	4 Reports	4 Reports	4 Reports	4 Reports	4 Reports	4 Reports	4 Reports	4 Reports
0029: Primary Health Care Services										
Percentage of capital budget spent	Percentage	0%	91%	95%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%
Other Focus Areas										
0024: Security Services										
Render a security service pertaining to municipal assets and by-laws	Monthly Report / Updated occurrence register	12 Reports / Updated Register	12 Reports / Updated Register	12 Reports / Updated Register	12 Reports / Updated Register	12 Reports / Updated Register	12 Reports / Updated Register	12 Reports / Updated Register	12 Reports / Updated Register	12 Reports / Updated Register
0036: Director Development Services										
Percentage of capital budget spent	Percentage	0%	0%	95%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%
Lack of Sport, Park & Recreation Facilities & 0054: Gordonia Holiday Resort										
Percentage of operating budget expenditure spent	Percentage	100.0%	744.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%
0053: Spitskop										
Percentage of operating budget revenue raised /	Percentage	105%	102%	99%	99.0%	99.0%	99.0%	99.0%	99.0%	99.0%
Lack of Sufficient Health Facilities and Other Services to all Communities										
0049: Recreation Facilities										
Percentage of capital budget spent	Percentage	0%	121%	95%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%
0052: Swimming Pools										
Maintenance of swimming pools as per maintenance programme	Quarterly Reports	4 Reports	4 Reports	4 Reports	4 Reports	4 Reports	4 Reports	4 Reports	4 Reports	4 Reports
0055: Sport Grounds										
Maintenance of sport grounds as per maintenance programme	Quarterly Reports	4 Reports	4 Reports	4 Reports	4 Reports	4 Reports	4 Reports	4 Reports	4 Reports	4 Reports
0056: Reitz Park										
Maintenance of Reitz Park as per maintenance programme	Quarterly Reports	N/A	N/A	Responsible in terms of Council Resolution - 4 Reports	4 Reports	4 Reports	4 Reports	4 Reports	4 Reports	4 Reports
1014: Grant: Department Sport, Arts and										
Percentage of operating budget revenue raised / collected	Quarterly Reports	100%	0%	0%	4 Reports	4 Reports	4 Reports	4 Reports	4 Reports	4 Reports
Lack of Sufficient Health Facilities and Other										
0057: Cemeteries										
Keeping of cemetery registers as per legislation	Updated Register / Percentage	100% Plots requested versus plots issued	100% Plots requested versus plots issued	100% Plots requested versus plots issued	100% Plots requested versus plots issued	100% Plots requested versus plots issued	100% Plots requested versus plots issued	100% Plots requested versus plots issued	100% Plots requested versus plots issued	100% Plots requested versus plots issued
Electro Mech Services										
Road & Transport Infrastructure										
0042: Workshop										
Service vehicles and equipment within given timeframes	Percentage	N/A	72%	90%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
0046: Transport										
Percentage of capital budget spent	Percentage	0%	86%	95%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%
Electricity										
0059: Electricity Administration										
Number and percentage of households with access to basic electricity services	Number / Percentage	17 455 / 99%	17 842 / 99%	97%	97.0%	97.0%	97.0%	97.0%	97.0%	97.0%
0060: Electricity Purchases / Sales										
Percentage of operating budget expenditure spent	Percentage	98%	99%	95%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%
0061: Electricity Maintenance										
Maintenance of street lights electricity maintenance programme	Quarterly Reports	4 Reports	4 Reports	4 Reports	4 Reports	4 Reports	4 Reports	4 Reports	4 Reports	4 Reports
0062: Electricity Distribution										
Maintenance of electrical distribution networks as per maintenance programme	Quarterly Reports	4 Reports	4 Reports	4 Reports	4 Reports	4 Reports	4 Reports	4 Reports	4 Reports	4 Reports

Description	Unit of measurement	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Civil Services										
0026: Sanitation Services										
Rendering of sanitation services as per service	Days service not rendered	0	1	1	1	1	1	1	1	1
0028: Vacuum Tank Services										
Rendering of vacuum tank services on request	Days service not rendered	0	1	1	1	1	1	1	1	1
0040: Civil Engineering Services										
Percentage of capital budget spent	Percentage	100%	98%	95%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%
0047: Building Control Unit										
Percentage of operating budget revenue raised /	Percentage	100%	108%	99%	99.0%	99.0%	99.0%	99.0%	99.0%	99.0%
Road & Transport Infrastructure										
0041: Streets and Storm Water Drainage										
Construction / Resealing of streets	Kilometres	N/A	N/A	22.85 km	22.85 km	22.85 km	22.85 km	ITBC	ITBC	ITBC
0044: Main Roads										
Percentage of capital budget spent	Percentage	0%	0%	95%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%
1005: Extended Public Works Programme										
Number of job opportunities created	Number	N/A	N/A	298	359	359	359	436	480	480
Sewerage & Sanitation										
0045: Sewerage Purification Plan										
Purify sewerage compliant with green drop	Narrative / Percentage	N/A	N/A	50%	60.0%	60.0%	60.0%	70.0%	80.0%	80.0%
0048: Sewerage Distribution Networks										
Maintenance of distribution networks	Percentage of complaints	100%	100%	100%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Water										
0066: Water Production										
Purify raw water compliant with blue drop status	Narrative / Percentage	N/A	38%	50%	60.0%	60.0%	60.0%	70.0%	80.0%	80.0%
0067: Water Distribution										
Maintenance of water distribution networks	Percentage of requests (leaks, etc) attended to	100%	100%	100%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
1018: Water Service Projects										
Percentage of operating budget expenditure spent	Percentage	100%	11%	95%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%
Director: Development and Planning										
0005: Museum										
Percentage of capital budget spent	Percentage	0.0%	0.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%
0006: Tourism and Marketing										
Percentage of operating budget revenue	Percentage	27.0%	109.0%	99.0%	99.0%	99.0%	99.0%	99.0%	99.0%	99.0%
0019: IDP & PMS										
Compile / review IDP on an annual basis	Narrative	IDP approved in line with legislation	IDP approved in line with legislation	IDP approved in line with legislation	IDP approved in line with legislation	IDP approved in line with legislation	IDP approved in line with legislation	IDP approved in line with legislation	IDP approved in line with legislation	IDP approved in line with legislation
Housing / Town Planning and Land Use Management										
0018: Housing and Development										
Identify and manage the development of housing backlogs	Number	8 823	8 600	7 890	6 890	6 890	6 890	5 690	4 890	4 890
1010: Housing Accreditation										
Percentage of capital budget spent	Percentage	100%	0%	95%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%
1016: Construction of Toilets										
Percentage of operating budget expenditure spent	Percentage	88%	0%	0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
0030: Town Planning and Building Control										
Town Planning applications processed within prescribed timeframes	Percentage	100%	100%	100%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Poverty & Unemployment										
0031: Local Economic Development										
To create conducive environment for growth in the local economy	Number of jobs	1 584	534	365	450	450	450	550	600	600
Housing/Town Planning and Land Use										
0010: Uptington Housing Rentals										
Percentage of operating budget expenditure spent	Percentage	100.0%	100.0%	95.0%	95.0%	95.0%	95%	95.0%	95.0%	95.0%
1015: Housing Projects										
Build BNG houses	Number	0	81	0	0	0	0	0	0	0
Construction of 150 Rental Units	Number	0	0	81	0	0	0	0	0	0

The following table sets out the municipalities main performance objectives and benchmarks for the 2015/2016 MTREF.

Table 33 MBRR Table SA8 – Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<u>Borrowing Management</u>										
Credit Rating										
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	3.4%	4.7%	5.7%	5.1%	6.5%	6.5%	4.6%	3.4%	2.6%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	5.3%	7.0%	7.8%	7.3%	8.8%	8.8%	6.2%	4.5%	3.5%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	78.8%	178.2%	20.2%	95.3%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Liquidity</u>										
Current Ratio	Current assets/current liabilities	0.49	0.56	0.38	0.34	0.35	0.35	0.35	0.36	0.37
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.49	0.56	0.18	0.13	0.19	0.19	0.19	0.20	0.21
Liquidity Ratio	Monetary Assets/Current Liabilities	0.04	0.13	0.02	0.08	0.04	0.04	0.04	0.05	0.06
<u>Revenue Management</u>										
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing	0.0%	110.0%	97.3%	96.7%	100.7%	100.7%	100.7%	100.7%	100.2%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		109.9%	97.3%	96.6%	100.7%	100.7%	100.7%	100.7%	100.2%	100.1%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	14.3%	13.4%	11.8%	7.7%	10.0%	10.0%	10.0%	8.8%	7.9%
<u>Creditors Management</u>										
Creditors System Efficiency	% of Creditors Paid Within Terms (within 'MFMA' s 65(e))	99.0%	80.0%	70.0%	70.0%	70.0%	70.0%	70.0%	80.0%	85.0%
Creditors to Cash and Investments		-1006.9%	2235.7%	-8722.9%	3105.4%	2388.9%	2388.9%	2388.9%	1964.3%	1539.5%
<u>Other Indicators</u>										
Electricity Distribution Losses	Total Volume Losses (kW)	11 772	19 302	17 500	18 375	15 000	15 000	15 000	14 500	14 000
	Total Cost of Losses (Rand '000)	6 424	11 848	10 500	11 025	9 000	9 000	9 000	11 600	13 015
Water Distribution Losses (2)	Total Volume Losses (kℓ)	5 533	5 545	5 400	5 670	5 670	5 670	5 670	5 897	6 015
	Total Cost of Losses (Rand '000)	10 347	11 034	10 500	11 025	11 025	11 025	11 025	11 466	12 269
Employee costs	Employee costs/(Total Revenue - capital revenue)	44%	43%	41%	43%	40%	40%	40%	40%	41%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	46%	45%	43%	44%	42%	42%	0%	42%	42%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	3%	3%	2%	3%	3%	3%	0%	3%	3%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	25%	24%	24%	26%	25%	25%	25%	22%	20%
<u>IDP regulation financial viability indicators</u>										
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	22.6	22.5	22.9	16.3	16.3	16.3	22.8	34.2	47.4
ii.O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	-0.2	0.1	-0.0	0.1	0.2	0.2	0.2	0.2	0.2

2.3.1 Performance indicators and benchmarks

2.3.1.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, //Khara Hais Municipality's borrowing strategy is primarily informed by the affordability of debt repayments. The structure of the municipality's debt portfolio is dominated by annuity loans. The following financial performance indicators have formed part of the compilation of the 2015/2016 MTREF:

- *Capital charges to operating expenditure* are a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing has steadily increased from 3.4% in 2011/2012 to 6.5% in 2014/2015. This increase can be attributed to the raising of loans to fund portions of the capital programme. It is estimated that the cost of borrowing as a percentage of the operating expenditure will reach 4.6% in 2015/2016 and will decrease to 2.6% at the end of the MTREF. While borrowing is considered a prudent financial instrument in financing capital infrastructure development, this indicator will have to be carefully monitored going forward as the municipality has reached its prudential borrowing limits. As the municipality has reached its borrowing limits, no external loans will be raised from 2014/2015 – 2017/2018.
- *Borrowing funding of own capital expenditure* measures the degree to which own capital expenditure (excluding grants and contributions) has been funded by way of borrowing. The average over the MTREF decrease from 95% to 0%, as no new loans will be raised for the next three financial years.

The municipality's debt profile provides some interesting insights on the municipality's future borrowing capacity. Firstly, the use of amortising loans leads to high debt service costs at the beginning of the loan, which declines steadily towards the end of the loan's term.

The municipality has raised mainly amortising loans over the past five years, hence effectively 'front-loading' its debt service costs. This is reflected in the municipality's debt service profile, which predicts large debt service costs between 2013 and 2016. Debt service costs are expected to peak in 2016 due to the redemption of the last few term loans held by the municipality.

In summary, various financial risks could have a negative impact on the future borrowing capacity of the municipality. In particular, the continued ability of the municipality to meet its revenue

targets and ensure its forecasted cash flow targets are achieved will be critical in meeting the repayments of the debt service costs. As part of the compilation of the 2015/2016 MTREF the potential of smoothing out the debt profile over the longer term will be investigated.

2.3.1.2 Safety of Capital

The gearing ratio is a measure of the total long term borrowings over funds and reserves. In 2008/2009 the gearing ratio peaked at 54.1%. This was primarily a result of the increased borrowing levels and decreasing funds and reserves. However, the gearing ratio decreased to 0% in the 2009/2010 financial year. The reason for this was that all cash-backed reserves for funding capital expenditure were depleted. It stays at 0% until 2017/2018. The medium term strategy is to steadily increase the gearing ratio to a level that does not exceed 50% as a prudential limit, hence, the municipality will have to find ways and means to get rid of unfunded mandates and to service land for resale purposes to build up cash back reserves for capital expenditure again. Also should investment in basic services infrastructure in formal and informal areas for breaking new ground housing purposes with the municipality's own reserves be recouped from national and provincial housing funding programmes. The municipality cannot carry on borrowing funds from external sources.

2.3.1.3 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the municipality has set a limit of 1, hence at no point in time should this ratio be less than 1. For the MTREF the current ratio is 0.3 in the 2015/2016 financial year and 0.3 and 0.3 for the two outer years of the MTREF. Going forward it will be necessary to improve these levels to the benchmark limit.
- *The liquidity ratio* is a measure of the ability of the municipality to utilise cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2011/2012 financial year the ratio was 0.5 and as part of the financial planning strategy it has to increase to 1. However, it decrease to 0.2 from 2012/2013 to 2017/2018. This needs to be considered a pertinent risk for the municipality as any under collection of revenue will translate into serious financial challenges for the municipality. As part of the longer term financial planning objectives this ratio will have to be set at a minimum of 1.

2.3.1.4 Revenue Management

As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection.

2.3.1.5 Creditors Management

The municipality has striven to ensure that creditors are settled within the legislated 30 days of receiving invoices. While the liquidity ratio is of concern, by applying daily cash flow management the municipality has managed to ensure a 100% compliance rate to this legislative obligation. This has had a favourable impact on suppliers' perceptions of risk of doing business with the municipality, which is expected to benefit the municipality in the form of more competitive pricing of tenders, as suppliers compete for the municipality's business.

2.3.1.6 Other Indicators

- The electricity distribution losses have slightly increased from 6.3% in the 2011/2012 financial year to 9.9% over the MTREF. The initiatives to ensure these targets are achieved include managing illegal connections and theft of electricity by rolling out smart metering systems, including prepaid meters.
- The water distribution losses have been significantly induced from 39.4% in 2011/2012 to 39.8% in 2013/2014. It is planned to reduce distribution losses from 27.0% by 2017/2018.
- Employee costs as a percentage of operating revenue increases and decreases depending on factors like the implementation of housing programmes over the past and future financial years. Another factor that affects this percentage the high increase in bulk purchases which directly increase revenue levels. National Treasury has indicated in MFMA Circular No 66 that there is no benchmark to be measured against due to all these factors influencing it.
- Similar to that of employee costs, repairs and maintenance as percentage of operating revenue is also decreasing owing directly to cost drivers such as bulk purchases increasing

far above inflation. In real terms, repairs and maintenance has increased as part of the municipality's strategy to ensure the management of its asset base.

2.3.2 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the municipality. With the exception of water, only registered indigents qualify for the free basic services.

In terms of the municipality's indigent policy registered households are entitled to 6 kℓ (2014/2015: 10 kℓ) "free" water, 50 kWh "free" electricity, "free" sanitation and "free" waste removal services once a week, as well as a 100% discount on their property rates.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement) on page 45.

Note that the number of households in informal areas that receive free services and the cost of these services (e.g. the provision of water through stand pipes, water tankers, and etcetera) are taken into account in the table noted above.

2.3.3 Providing clean water and managing waste water

The municipality is the Water Services Authority for the entire municipality in terms of the Water Services Act, 1997 and acts as water services provider. The municipality buys its raw water from DWA and extracts it directly from the Orange River to purify it before distributing it to the local community.

The Department of Water Affairs conducts an annual performance rating of potable and waste water treatment works; presenting a Blue Drop or Green Drop award respectively to potable water treatment works and waste water treatment works that meet certain criteria of excellence.

Our purified drinking water is of exceptional quality free of e-coli although there are some management issues that have to be attended to before the municipality can obtain Blue Drop status in 2015/2016.

None of our waste water treatment works were awarded Green Drop status in 2013/2014, indicating that these plants will require renewals / upgrading to meet the minimum Green Drop

certification standards. This has been prioritised as part of the 2014/2015 – 2016/2017 medium term capital budget.

The following is briefly the main challenges facing the municipality in this regard:

- The infrastructure at most of the waste water treatment works is old and insufficient to treat the increased volumes of waste water to the necessary compliance standard;
- Shortage of skilled personnel makes proper operations and maintenance difficult; and
- There is a lack of proper regional catchment management, resulting in storm water entering the sewerage system.

The following are some of the steps that have been taken to address these challenges:

- Infrastructure shortcomings are being addressed through the capital budget in terms of a 5-year upgrade plan;
- The filling of vacancies has commenced and the Waste Water Division will embark on an in-house training programme, especially for operational personnel; and
- The Division is working in consultation with the Department of Water Affairs to address catchment management.

2.4 Overview of budget related-policies

The municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

2.4.1 Review of credit control and debt collection procedures/policies

The Customer Care, Credit Control, Debt Collection and Indigent Support Policy as approved by Council during May 2014 have been reviewed. Changes to the policy will be approved on the 29th of May 2015.

As most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed, the Integrated Indigent Exit Programme aims to link the registered indigent households to development, skills and job opportunities. The programme also seeks to ensure that all departments as well as external role players are actively involved in the reduction of the number of registered indigent households.

The 2015/2016 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 99% on current billings. The first nine months of the 2014/2015 financial year yielded a collection rate of 98% due to government departments honouring their commitments. The

municipality expects government departments to honour their past and future commitments during 2015/2016 to avoid their services being discontinued. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the municipality's cash levels. In addition, the municipality's payment incentive scheme through its Writing-Off of Irrecoverable Debt Policy seems to be working and it is taking the customers out of their spiral debt.

2.4.2 Asset Management, Infrastructure Investment and Funding Policy

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the municipality's revenue base. Within the framework, the need for asset renewal was considered a priority and hence the capital programme, where possible, was determined based on renewal of current assets versus new asset construction.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. The Asset Management, Infrastructure and Funding Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets). This policy will not be amended.

2.4.3 Budget Adjustment Policy

The adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the City continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

2.4.4 Supply Chain Management Policy

The Supply Chain Management Policy, to allow for legislation changes, was reviewed and adopted by Council in May 2013. The policy will be revised and tabled to Council during May 2015.

2.4.5 Budget and Virement Policy

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the municipality's system of delegations. The Budget and Virement Policy was reviewed and approved by Council in May 2013. This policy will not be amended.

2.4.6 Cash Management and Investment Policy

The municipality's Cash Management and Investment Policy were amended by Council in May 2011. The aim of the policy is to ensure that the municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduce time frames to achieve certain benchmarks. The Cash Management and Virement Policy was reviewed and approved by Council in May 2013. The policy will not be amended.

2.4.7 Tariff Policies

The municipality's Tariff Policy provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The Tariff Policy as approved by Council in May 2014 has been reviewed. Changes to the policy will be approved on the 29th of May 2015.

2.4.8 Property Rates Policy

The municipality's Property Rates Policy provide a broad framework within which the Council can determine property rates levies. The Tariff Policy as approved by Council in May 2014 has been reviewed. Changes to the policy will be approved on the 29th of May 2015.

2.4.9 Financial Modelling and Scenario Planning Policy

The Financial Modelling and Scenario Planning Policy (Financial Plan included as Annexure A to the IDP) has directly informed the compilation of the 2015/2016 MTREF with the emphasis on affordability and long-term sustainability. The policy dictates the approach to longer term financial modelling. The outcomes are then filtered into the budget process. The model and scenario planning outcomes are taken to Council every November as part of the IDP and then translate into recommendations for the budget guidelines that inform the compilation of the next MTREF. One of

the salient features of the policy is the emphasis on financial sustainability. Amongst others, the following has been modelled as part of the financial modelling and scenario planning process:

- Approved 2014/2015 Adjustments Budget;
- Cash Flow Management Interventions, Initiatives and Strategies (including the cash backing of reserves);
- Economic climate and trends (i.e. Inflation, household debt levels, indigent factors, growth, recessionary implications);
- Loan and investment possibilities;
- Performance trends;
- Tariff Increases;
- The ability of the community to pay for services (affordability);
- Policy priorities;
- Improved and sustainable service delivery; and
- Debtor payment levels.

All the above policies are available on the municipality's website, as well as the following budget related policies:

- Property Rates Policy;
- Funding and Reserves Policy;
- Borrowing Policy;
- Budget Policy; and
- Basic Social Services Package (Indigent Policy).

2.5 Overview of budget assumptions

2.5.1 External factors

The *Budget Review 2015* notes that the South African economy has demonstrated resilience despite unsettled international economic conditions. Global developments are likely to hold back higher growth over the short-term, resulting in gross domestic product (GDP) growth being expected to slow from 2.2% in 2014 to 1.4% in 2015. However, the domestic outlook remains positive over the medium term. As the world economy strengthens, GDP growth will accelerate to 2.0% in 2016, led by robust household consumption, and stronger public- and private-sector investment.

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the municipality's finances.

2.5.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2015/2016 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration. Employee related costs comprise 42.2% of total operating expenditure, excluding non-cash items, in the 2015/2016 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget. The wage agreement for the MTREF SALGA needs to conclude with the municipal workers unions in the SALGBC are still in process but it will have an effect on our budget and must be noted.

2.5.3 Credit rating outlook

Table 34 Credit rating outlook

Security class	Currency	Rating	Annual rating 2013/2014	Previous Rating
Short term	Rand	N/A	N/A	N/A
Long-term	Rand	N/A	N/A	N/A
Outlook	Rand	N/A	N/A	N/A

The municipality has not been rated by a rating agency.

2.5.4 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The municipality engages in a number of financing arrangements to minimise its interest rate costs and risk. However, for simplicity the 2015/2016 MTREF is based on the assumption that all borrowings are undertaken using fixed interest rates for amortisation-style loans requiring both regular principal and interest payments. As part of the compilation of the

2015/2016 MTREF the potential of smoothing out the debt profile over the long term will be investigated.

2.5.5 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long-term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (99%) of annual billings. Cash flow is assumed to be 98% of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will only be considered a source of additional cash in-flow once the performance has been carefully monitored.

2.5.6 Growth or decline in tax base of the municipality

Debtors' revenue is assumed to increase at a rate that is influenced by the consumer debtors' collection rate, tariff/rate pricing, real growth rate of the municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

2.5.7 Salary increases

The collective agreement regarding salaries / wages for the MTREF must still be finalised. Over the MTREF the municipality has provided for a cost-of-living increase of 7.0% (2015/2016), 7.0% (2016/2017) and 7.0% (2017/2018). As per Circular 75, National Treasury advised municipalities to budget for 4.4% (inflation linked) for 2015/2016 and inflation plus 0.25% for 2016/2017 and 2017/2018. However the 4.4% does not include notch increases and additional appointments. Furthermore the unions indicated that the suggested percentage of 4.4% will not be accepted.

2.5.8 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDP's, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives. Unfortunately, some of these services come at a cost for the municipality since not all activities is 100% funded through funds that follow functions (unfunded mandates).

2.5.9 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 95% is achieved on operating expenditure and 95% on the capital programme for the 2015/2016 MTREF of which performance has been factored into the cash flow budget. The municipality expects to recover 99% of its budgeted revenue.

2.6 Overview of budget funding

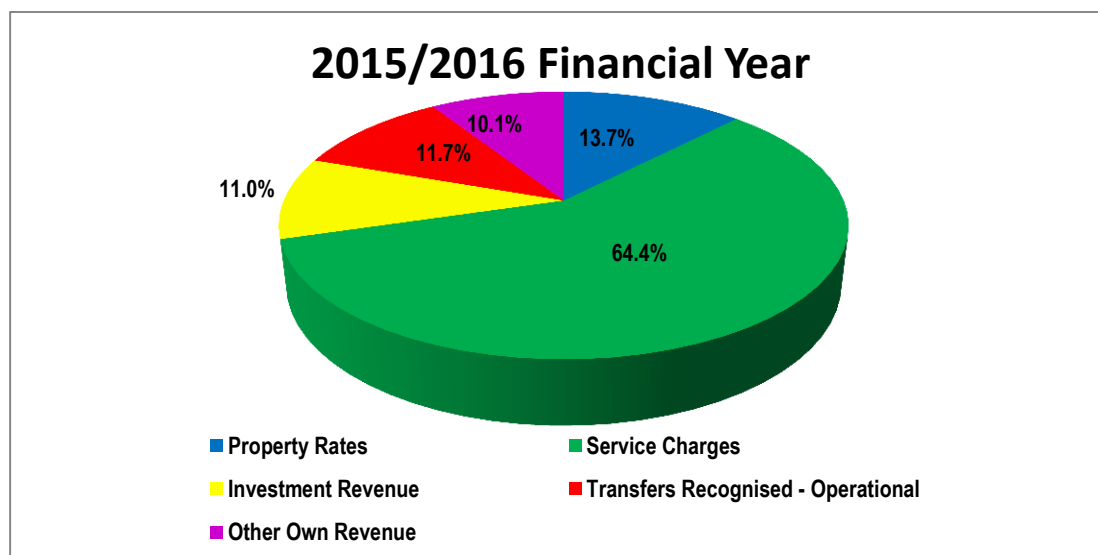
2.6.1 Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

Table 35 Breakdown of the operating revenue over the medium-term

Description	2015/16 Medium Term Revenue & Expenditure Framework					
	Budget Year 2015/16	%	Budget Year +1 2016/17	%	Budget Year +2 2017/18	%
Property rates	75 488	13.7%	80 772	13.9%	86 426	13.9%
Service charges	355 982	64.4%	379 057	65.2%	403 654	65.0%
Interest earned - external investments	600	0.1%	636	0.1%	674	0.1%
Transfers recognised - operational	64 572	11.7%	66 697	11.5%	69 387	11.2%
Other own revenue	55 779	10.1%	54 424	9.4%	60 933	9.8%
Total Operational Revenue (excluding capital transfers and contributions)	552 421	100.0%	581 586	100.0%	621 075	100.0%
Total Operational Expenditure	643 402		680 934		727 683	
Surplus/(Deficit)	(90 982)		(99 348)		(106 608)	

The following graph is a breakdown of the operational revenue per main category for the 2015/2016 financial year.

**Figure 7 Breakdown of operating revenue over the 2015/2016 MTREF**

For the medium-term, the funding strategy has been informed directly by ensuring financial sustainability and continuity. The MTREF therefore provides for a budgeted surplus (excluding non-cash items) of R 16.0 million (2015/2016) and R 4.0 in the two outer years. This surplus is intended to partly fund capital expenditure from own sources as well as ensure adequate cash backing of reserves and funds.

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The municipality derives most of its operational revenue from the provision of goods and services such as water, electricity, sanitation and solid waste removal. Property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc.) completes the revenue base.

The revenue strategy is a function of key components such as:

- Growth in the municipality and economic development;
- Revenue management and enhancement;
- Achievement of a 99% annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing / calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

The proposed tariff increases for the 2015/2016 MTREF on the different revenue categories are:

Table 36 Proposed tariff increases over the medium-term

Revenue Category	2015/16 Proposed Tariff Increase	2016/17 Proposed Tariff Increase	2017/18 Proposed Tariff Increase	2015/16 Total Budgeted Revenue
	%	%	%	R'000
Property Rates	±5.50%	±5.50%	±5.50%	75 488
Electricity	12.20%	12.20%	12.20%	247 425
Water	±7.00%	±7.00%	±7.00%	48 709
Sanitation	±7.00%	±7.00%	±7.00%	30 739
Refuse Removal	±9.00%	±9.00%	±9.00%	29 108
Total				431 470

Revenue to be generated from property rates is R 75.5 million in the 2015/2016 financial year and increases to R 86.4 million by 2017/2018 which represents 13.7% of the operating revenue base of the municipality. It remains relatively constant over the medium-term. With the implementation of the Municipal Property Rates Act the basis of rating significantly changed.

The municipality is in a process of further data verification and validation relating to the valuation roll. The new valuation roll will be implemented from 1 July 2014. As the levying of property rates is considered strategic revenue source a further supplementary valuation process will be

undertaken as necessary during the financial year. The outcome of this initiative will be closely monitored and reported on a regular basis as part of the quarterly performance reporting.

Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the municipality totalling R 356.0 million for the 2015/2016 financial year and increasing to R 403.7 million by 2017/2018. For the 2015/2016 financial year services charges amount to 64.4% of the total revenue base and grows by a projected 0.7% per annum over the medium-term. This growth can mainly be attributed to the increase in the bulk prices of electricity and water.

Operational grants and subsidies amount to R 73.3 million, R 71.0 million and R 76.9 million for each of the respective financial years of the MTREF; or, 13.3%, 12.2% and 12.4% of operating revenue. It needs to be noted that in real terms the grants receipts from national government are declining for 2016/2017 by 3.2% and increase with 8.3% for 2017/2018.

Investment revenue contributes marginally to the revenue base of the municipality with a budget allocation of R 0.6 million, R 0.6 million and R 0.7 million for the respective three financial years of the 2015/2017 MTREF. It needs to be noted that these allocations have been conservatively estimated and as part of the cash backing of reserves and provisions. The actual performance against budget will be carefully monitored. Any variances in this regard will be addressed as part of the mid-year review and adjustments budget.

The tables below provide detail investment information and investment particulars by maturity.

Table 37 MBRR SA15 – Detail Investment Information

Investment type / R thousand	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<u>Parent municipality</u>									
Deposits - Bank	5 363	635	669	13 000	940	940	-	-	-
Municipality sub-total	5 363	635	669	13 000	940	940	-	-	-
<u>Entities</u>									
Entities sub-total	-	-	-	-	-	-	-	-	-
Consolidated total:	5 363	635	669	13 000	940	940	-	-	-

Table 38 MBRR SA16 – Investment particulars by maturity

Investments by Maturity	Period of Investment	Type of Investment	Capital Guarantee (Yes/ No)	Variable or Fixed interest rate	Monetary value	Interest to be realised
Name of institution & investment ID	Yrs/Months				Rand thousand	
Parent municipality						
Deposit Bank - Base on quotations received	Months	Depositor Plus	No	Variable	-	-
Municipality sub-total					-	-
Entities						
Entities sub-total					-	-
TOTAL INVESTMENTS AND INTEREST					-	-

2.6.2 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2015/16 medium-term capital programme:

Table 39 Sources of capital revenue over the MTREF

Description / R thousand	Current Year 2014/15		2013/14 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2015/16	%	Budget Year +1 2016/17	%	Budget Year +2 2017/18	%
Funded by:								
National Government	24 685	35.4%	25 835	73.9%	20 326	90.1%	22 151	91.2%
Provincial Government	14 758	21.2%	-	0.0%	-	0.0%	-	0.0%
District Municipality	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Other transfers and grants	34	0.0%	-	0.0%	-	0.0%	-	0.0%
Transfers recognised - capital	39 477	56.6%	25 835	73.9%	20 326	90.1%	22 151	91.2%
Public contributions & donations	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Borrowing	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Internally generated funds	30 255	43.4%	9 116	26.1%	2 240	9.9%	2 129	8.8%
Total Capital Funding	69 732	100.0%	34 951	100.0%	22 566	100.0%	24 280	100.0%

Capital grants and receipts equates to 73.9% of the total funding source which represents R 25.8 million for the 2015/2016 financial year and steadily increase to R 22.2 million or 91.2% by 2017/2018. Growth relating to grant receipts is -34.6%, -21.3% and 9.0% over the medium-term.

Own funding still remains a significant funding source for the capital programme over the medium-term with an estimated R 9.1 million, R 2.2 million and R 2.1million to be raised for each of the respective financial years totalling 26.1%, 9.9% and 8.8% of the total funding of the capital budget for each of the respective financial years of the MTREF.

As explained earlier, the borrowing capacity of the municipality has essentially reached its limits and therefore no borrowing is being budgeted for from 2014/2015 – 2017/2018

Table 40 is graphically represented as follows for the 2015/2016 financial year.

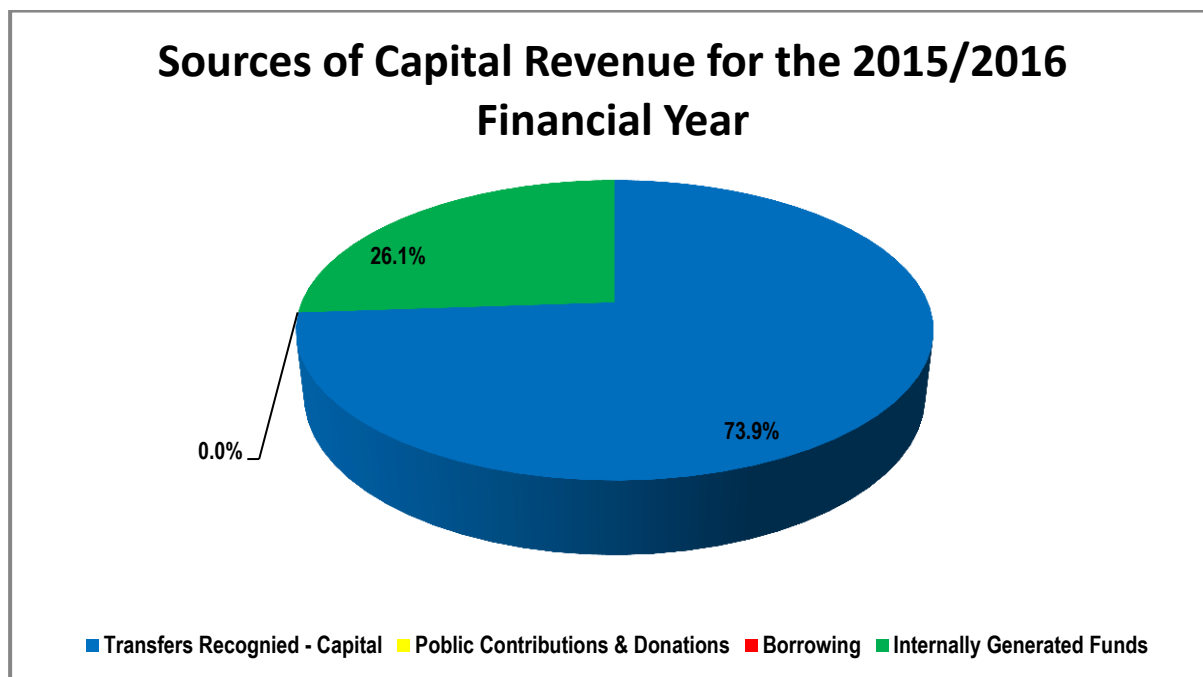


Figure 8 Sources of capital revenue for the 2015/16 financial year

The following table is a detailed analysis of the municipality's borrowing liability.

Table 40 MBRR Table SA 17 - Detail of borrowings

Borrowing - Categorised by type / R thousand	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<u>Parent municipality</u>									
Long-Term Loans (annuity/reducing balance)	80 514	133 563	122 438	201 486	105 557	105 557	94 720	87 325	82 825
Municipality sub-total	80 514	133 563	122 438	201 486	105 557	105 557	94 720	87 325	82 825
<u>Entities</u>									
Entities sub-total	-	-	-	-	-	-	-	-	-
Total Borrowing	80 514	133 563	122 438	201 486	105 557	105 557	94 720	87 325	82 825

The following graph illustrates the growth in borrowing for the 2011/2012 to 2017/2018 period.

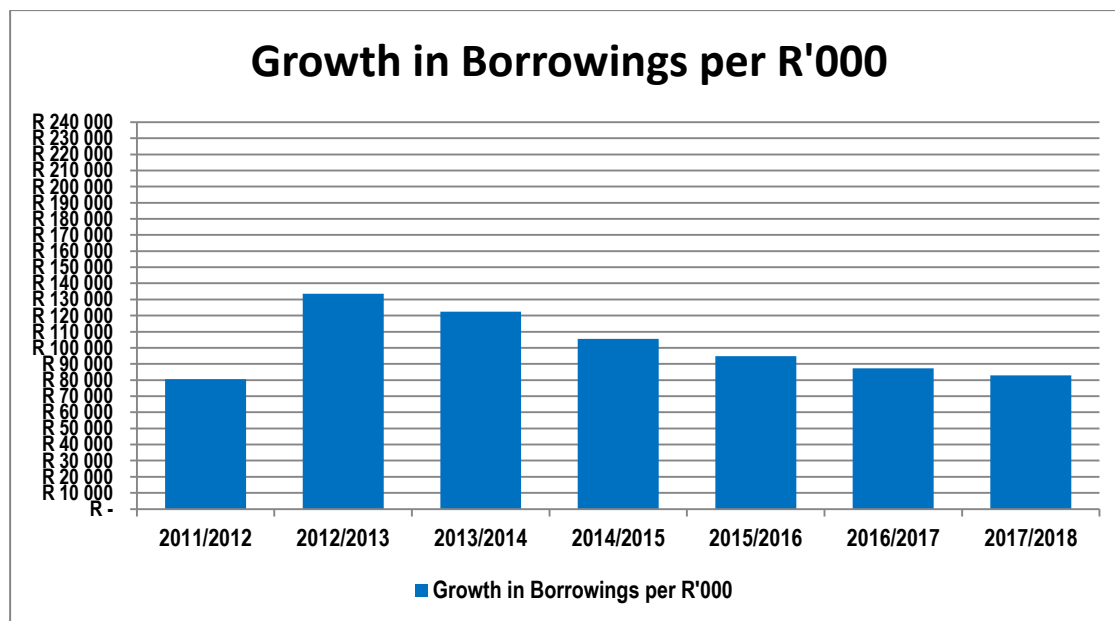


Figure 9 Growth in outstanding borrowing (long-term liabilities)

Internally generated funds consist of a mixture between surpluses generated on the operating statement of financial performance and cash backed reserves. In determining the credibility of this funding source it becomes necessary to review the cash flow budget as well as the cash backed reserves and accumulated funds reconciliation, as discussed below.

Internally generated funds consist of R 9.1 million in 2015/2016, R 2.2 million in 2016/2017 and R 2.1 million in 2017/2018.

Table 41 below provides more detail of the capital transfers and grant receipts.

Table 41 MBRR Table SA 18 - Capital transfers and grants receipts

Description / R thousand	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Capital Transfers and Grants									
National Government:	10 200	29 404	36 727	21 882	21 882	21 882	25 835	20 326	22 151
Municipal Infrastructure Grant (MIG)	5 419	20 202	27 193	18 360	18 360	18 360	18 818	19 449	20 397
INEP	1 829	8 260	8 657	2 632	2 632	2 632	6 140	877	1 754
EPWP	2 952	942	877	890	890	890	877	–	–
Provincial Government:	1 487	177	2 503	626	11 889	11 889	–	–	–
Sport and Recreation	157	61	1 873	–	6 829	6 829	–	–	–
Other Departments	1 330	116	631	626	2 118	2 118	–	–	–
EPWP	–	–	–	–	2 942	2 942	–	–	–
District Municipality:	9	–	–	–	–	–	–	–	–
ZFM	9	–	–	–	–	–	–	–	–
Other grant providers:	2 012	11 490	1 938	–	–	–	–	–	–
FIFA World Cup Legacy Programme	–	–	–	–	–	–	–	–	–
Other grant providers:	–	7 116	–	–	–	–	–	–	–
SANRAL	2 012	4 374	38	–	–	–	–	–	–
Total Capital Transfers and Grants	13 708	41 071	41 169	22 508	33 771	33 771	25 835	20 326	22 151

2.6.3 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understand ability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'ratepayers and other' to be provided for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue; and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

Table 42 MBRR Table A7 - Budget cash flow statement

Description / R thousand	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Property rates, penalties & collection charges	41 242	43 730	46 638	63 916	73 228	73 228	73 228	76 488	81 272
Service charges	261 007	262 552	306 086	328 884	319 102	319 102	319 102	355 982	379 057
Other revenue	17 776	19 961	22 319	24 141	21 031	21 031	21 031	23 163	24 819
Government - operating	53 610	66 750	69 643	64 572	69 463	69 463	69 463	73 278	70 958
Government - capital	14 841	42 157	52 910	22 508	39 477	39 477	39 477	25 835	20 326
Interest	3 183	3 064	3 161	3 208	2 893	2 893	2 893	3 000	3 180
Dividends	-	-	-	-	-	-	-	-	-
Payments									
Suppliers and employees	(371 844)	(373 990)	(362 340)	(444 377)	(419 419)	(419 419)	(419 419)	(490 788)	(531 249)
Finance charges	(9 180)	(14 057)	(19 944)	(16 658)	(15 284)	(15 284)	(15 284)	(13 436)	(12 070)
Transfers and Grants	(917)	(25 478)	(27 210)	(25 117)	(20 087)	(20 087)	(20 087)	(21 597)	(23 107)
NET CASH FROM/(USED) OPERATING ACTIVITIES	9 717	24 690	91 264	21 077	70 402	70 402	70 402	31 925	13 186
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on disposal of PPE	(1)	1 120	3 076	15 200	27 010	27 010	27 010	20 010	21 211
Decrease (Increase) in non-current debtors	-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables	4	(14)	7	6	6	6	6	6	6
Decrease (increase) in non-current investments	5 763	(635)	(34)	-	669	669	669	-	-
Payments									
Capital assets	(42 518)	(74 527)	(94 690)	(43 679)	(69 732)	(69 732)	(69 732)	(34 951)	(22 566)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(36 751)	(74 056)	(91 642)	(28 473)	(42 047)	(42 047)	(42 047)	(14 935)	(1 349)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
Short term loans	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	23 465	65 624	8 540	20 171	-	-	-	-	-
Increase (decrease) in consumer deposits	415	1 265	708	3 000	2 388	2 388	2 388	500	500
Payments									
Repayment of borrowing	(6 707)	(10 232)	(12 355)	(14 775)	(23 681)	(23 681)	(23 681)	(16 430)	(10 837)
NET CASH FROM/(USED) FINANCING ACTIVITIES	17 173	56 657	(3 107)	8 396	(21 293)	(21 293)	(21 293)	(15 930)	(10 337)
NET INCREASE/ (DECREASE) IN CASH HELD	(9 861)	7 291	(3 484)	1 000	7 061	7 061	7 061	1 060	1 500
Cash/cash equivalents at the year begin:	4 932	(4 929)	2 363	2 006	(1 121)	(1 121)	(1 121)	5 940	7 000
Cash/cash equivalents at the year end:	(4 929)	2 362	(1 121)	3 006	5 940	5 940	5 940	7 000	8 500

The above table shows that cash and cash equivalents of the municipality were largely depleted between the 2011/2012 and 2013/2014 financial year moving from a positive cash balance of R 4.9

million to a negative cash balance of R 1.1 million. With the 2014/2015 adjustments budget various cost efficiencies and savings had to be realised to ensure the municipality could meet its operational expenditure commitments. It is projected that cash and cash equivalents on hand will increase to R 5.9 million by the financial year end. For the 2015/2016 MTREF the budget has been prepared to ensure sufficient levels of cash and cash equivalents over the medium-term with cash levels anticipated to exceed R 7.0 million by 2015/2016 and steadily increasing to R 10.0 million by 2017/2018.

2.6.4 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular No 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was / is available. A shortfall (cash-backed commitments > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

From Table 43 below it can be seen that the cash and investments available total R 7.0 million in the 2015/2016 financial year and steadily increase to R 10.0 million by 2017/2018, including the projected cash and cash equivalents as determined in the cash flow forecast.

The 2013/2014 audited outcome reflects a shortfall of R 82.3 million. The municipality has approved and implemented a Municipal Turnaround Strategy. This strategy aims to limit expenditure and increase revenue collection. The implementation of GRAP 17 which the higher DRC values has had a negative impact on the municipality. At this stage the municipality shows a

budgeted non-cash deficit of R 65.1 million. A deficit leads to a decrease in the accumulated depreciation. At this stage our increasing creditors and debtors are a big concern.

Table 43 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation

Description / R thousand	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Cash and investments available									
Cash/cash equivalents at the year end	(4 929)	2 362	(1 121)	3 006	5 940	5 940	7 000	8 500	10 000
Other current investments > 90 days	(0)	635	669	(0)	0	0	0	0	0
Non current assets - Investments	-	-	-	-	-	-	-	-	-
Cash and investments available:	(4 929)	2 997	(453)	3 006	5 940	5 940	7 000	8 500	10 000
Application of cash and investments									
Unspent conditional transfers	31 179	37 174	36 248	22 379	504	504	-	-	-
Other working capital requirements	(4 536)	352	45 611	54 875	90 658	90 658	89 423	85 442	86 573
Reserves to be backed by cash/investments	-	-	-	-	-	-	-	-	-
Total Application of cash and investments:	26 644	37 527	81 859	77 254	91 161	91 161	89 423	85 442	86 573
Surplus(shortfall)	(31 572)	(34 529)	(82 312)	(74 249)	(85 221)	(85 221)	(82 423)	(76 942)	(76 573)

The following is a breakdown of the application of this funding:

- Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year. In the past these have been allowed to 'roll-over' and be spent in the ordinary course of business, but this practice has been discontinued. During the 2011/2012 financial year the municipality was required to supply National Treasury with a detailed analysis of the unspent grants as well as an action plan of spending the grants. The municipality has received the necessary roll-over approval from the National Treasury as the funding appropriation relating to the unspent conditional grants could be motivated as part of existing projects. For the 2014/2015 financial year provision has been made for this liability.
- There is no unspent borrowing from the previous financial years. In terms of the municipality's Borrowing and Investments Policy, borrowings are only drawn down once the expenditure has been incurred against the particular project. Unspent borrowing is ring-fenced and reconciled on a monthly basis to ensure no unnecessary liabilities are incurred.
- The main purpose of other working capital is to ensure that sufficient funds are available to meet obligations as they fall due. A key challenge is often the mismatch between the timing

of receipts of funds from debtors and payments due to employees and creditors. High levels of debtor non-payment and receipt delays will have a greater requirement for working capital, as was experienced by the municipality in the past resulting in cash flow challenges. For the purpose of the cash backed reserves and accumulated surplus reconciliation a provision equivalent to one month's operational expenditure has been provided for. It needs to be noted that although this can be considered prudent, the desired cash levels should be 60 days to ensure continued liquidity of the municipality. Any underperformance in relation to collections could place upward pressure on the ability of the municipality to meet its creditor obligations.

- Other provisions (i.e. employee benefits) have been provided for in the operating budget but have not been provided for in Table 43.
- The municipality has no long term investments that consist primarily of the sinking funds for the repayment of future borrowings.
- Most reserve fund cash-backing is discretionary in nature, but the reserve funds are not available to support a budget unless they are cash-backed. The reserve funds as well as unspent conditional grants are not fully cash-backed. Government's outstanding debt, unfunded housing projects and unfunded mandates for the past three years are increasing on a year-to-year basis. The level of cash-backing is directly informed by the municipality's cash backing policy. //Khara Hais Municipality has requested in writing support from National Treasury regarding the unfunded mandates which can no longer be afforded and funded by our consumers. Mr J Hattingh wrote a letter to Provincial Treasury requesting them to assist us in order to address these issues, but no assistance or correspondence was received. The municipal manager has requested that the clinic should be taken over by Provincial Treasury. This was done during October 2014. Two of the employees are still paid by us and a monthly invoice is being send to Department of Health. Furthermore we did not received all of the gazetted allocations and the total outstanding grants and salaries is now in access of R 2.5 million. //Khara Hais is also performing the Fire Brigade Services and Environmental Health Services, but the grant is being paid to ZFM.

It can be concluded that the municipality has a deficit against the cash backed and accumulated surpluses reconciliation. The level of non-cash backing progressively deteriorated over the period 2011/2012 to 2013/2014 escalating from a negative R 31.6 million to a negative R 82.3 million in 2013/2014. This was mainly due to an operating deficit for the past three years. The municipality has essentially depleted all cash reserves which is a serious concern and should be considered a

strategic risk to the financial stability of the municipality. It needs to be noted that for all practical purposes the 2013/2014 MTREF was unfunded when considering the funding requirements of section 18 and 19 of the MFMA. The 2015/2016 MTREF has been informed by ensuring the financial plan meets the minimum requirements of the MFMA.

However, from a practical perspective it would not be possible to eradicate this deficit in one financial year hence the phased approach over the MTREF. Nevertheless from a pure cash flow perspective (cash out flow versus cash inflow) the budget is funded and is therefore credible. The challenge for the municipality will be to ensure that the underlying planning and cash flow assumptions are meticulously managed, especially the performance against the collection rate.

The following graph supplies an analysis of the trends relating cash and cash equivalents over a seven year perspective.

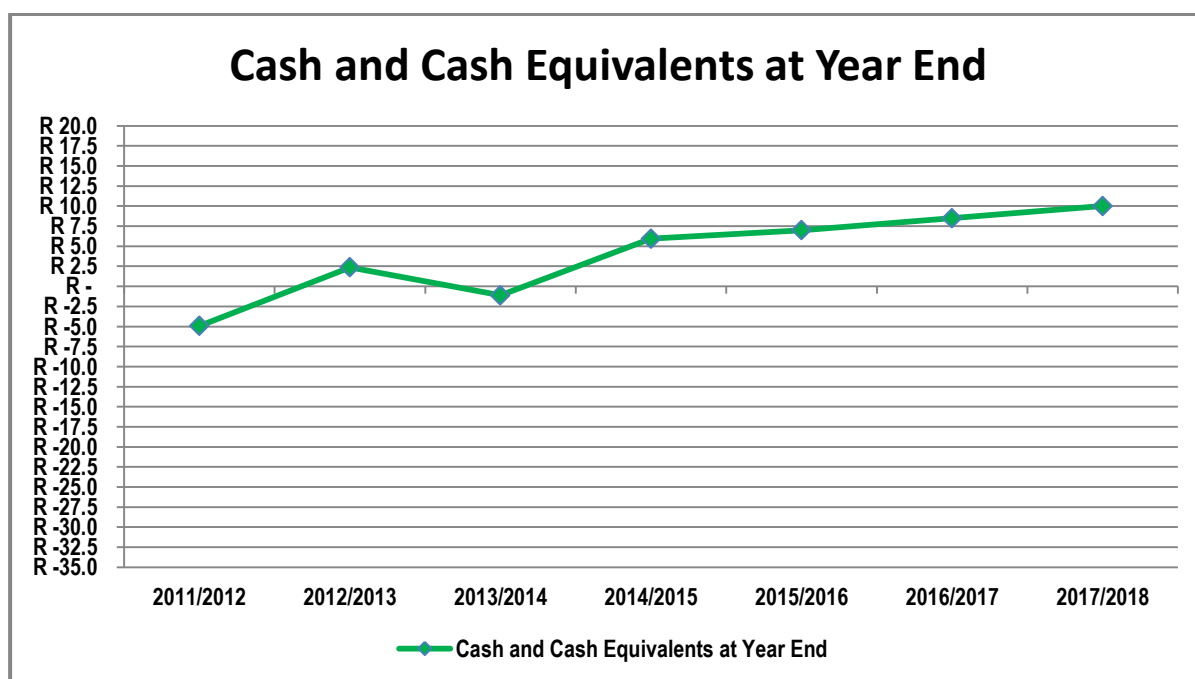


Figure 10 Cash and cash equivalents

2.6.5 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

Table 44 MBRR SA10 – Funding compliance measurement

Description	MFMA section	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Funding measures										
Cash/cash equivalents at the year end - R'000	18(1)b	(4 929)	2 362	(1 121)	3 006	5 940	5 940	7 000	8 500	10 000
Cash + investments at the yr end less applications - R'000	18(1)b	(31 572)	(34 529)	(82 312)	(74 249)	(85 221)	(85 221)	(82 423)	(76 942)	(76 573)
Cash year end/monthly employee/supplier payments	18(1)b	0.1	0.1	-0.0	0.1	0.2	0.2	0.2	0.2	0.2
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	(96 527)	(62 764)	(27 026)	(96 485)	(48 145)	(48 145)	(65 146)	(79 022)	(84 457)
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	N.A.	8.5%	10.0%	0.9%	-6.1%	-6.0%	4.7%	0.6%	0.6%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	106.6%	94.3%	91.9%	100.2%	99.7%	99.7%	99.4%	99.3%	99.3%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	0.6%	2.0%	0.1%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Capital payments % of capital expenditure	18(1)c;19	100.0%	99.8%	99.7%	100.0%	100.0%	107.0%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	78.8%	178.2%	20.2%	95.3%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.3%	100.3%	100.3%
Current consumer debtors % change - incr(decr)	18(1)a	N.A.	9.4%	2.1%	-32.4%	33.9%	0.0%	-5.8%	-5.4%	-6.0%
Long term receivables % change - incr(decr)	18(1)a	N.A.	1440.8%	-17.1%	-32.0%	0.0%	0.0%	-38.7%	-63.2%	-100.0%
R&M % of Property Plant & Equipment	20(1)(vi)	0.7%	0.8%	0.7%	1.1%	1.1%	1.1%	1.3%	1.4%	1.6%
Asset renewal % of capital budget	20(1)(vi)	11.5%	9.4%	8.2%	0.9%	0.7%	0.7%	4.6%	0.0%	0.0%

2.6.5.2 Cash/cash equivalent position

The municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year. The forecasted cash and cash equivalents for the 2015/2016 MTREF shows R 7.0 million, R 8.5 million and R 10.0 million for each respective financial year.

2.6.5.3 Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves / surpluses are contained in Table 25, on page 41. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

2.6.5.4 Monthly average payments covered by cash or cash equivalents

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts. As part of the 2015/2016 MTREF the municipalities improving cash position causes the ratio to move upwards to 0.2 and then stabilize on 0.2 by 2017/2018. As indicated above the municipality aims to achieve at least one month's cash coverage in the medium term, and then gradually move towards two months coverage. This measure will have to be carefully monitored going forward.

2.6.5.5 Surplus/deficit excluding depreciation offsets

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus / deficit are achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term. For the 2015/2016 MTREF the indicative outcome is a deficit of R 65.1 million, R 79.0 million and R 84.5 million. //Khara Hais Municipality did not use the depreciation method, but the revaluation method with the higher Depreciated Replacement Cost values. Therefore the "offsetting" amount cannot be deducted in terms of GRAP 17 and a surplus will not be reflected in this statement. //Khara Hais Municipality has reported this issue several times with both the Auditor General and National Treasury. We are still awaiting response.

It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective and the first two measures in the table are therefore critical.

2.6.5.6 Property Rates/service charge revenue as a percentage increase less macro inflation target

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etcetera.

The factor is calculated by deducting the maximum macro-economic inflation target increase (which is currently 4.4% to 5.8%). The result is intended to be an approximation of the real increase in revenue. Considering the lowest percentage tariff increase in relation to revenue generated from rates and services charges is 5.5% to 7% (with the exception of refuse removal tariff increase of 9%), with the increase in electricity at 12.20% on average it is to be expected that the increase in revenue will exceed the inflation target figures. However, the outcome is lower than it might be due to the slowdown in the economy and a reduction in consumption patterns. This trend will have to be carefully monitored and managed with the implementation of the budget.

2.6.5.7 Cash receipts as a percentage of ratepayer and other revenue

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 99.0% for each of the respective financial years. Given that the assumed collection rate was based on a 98% performance target, the cash flow statement has been conservatively determined. In addition the risks associated with objections to the valuation roll need to be clarified and hence the conservative approach, also taking into consideration the cash flow challenges experienced in the current financial year. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will have to be amended accordingly.

2.6.5.8 Debt impairment expense as a percentage of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. The provision has been appropriated at 0.5% over the MTREF. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is well within the accepted leading practice.

2.6.5.9 Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 0% timing discount has been factored into the cash position forecasted over the entire financial year. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days and have not defaulted over the last five years.

2.6.5.10 Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)

The purpose of this measurement is to determine the proportion of a municipality's 'own-funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) has been excluded. Further details relating to the borrowing strategy of the municipality can be found on page 81.

2.6.5.11 Transfers/grants revenue as a percentage of Government transfers/grants available

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100% could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The municipality has budgeted for all transfers.

2.6.5.12 Consumer debtors change (Current and Non-current)

The purpose of these measures is to ascertain whether budgeted reductions in outstanding debtors are realistic. There are two measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show an increase settling debtor's accounts not being settled within 45 days.

2.6.5.13 Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and / or sustainable in the medium to long term because the revenue budget is not being protected. Details of the municipality's strategy pertaining to asset management and repairs and maintenance are contained in Table 60 MBRR SA34c on page 107.

2.6.5.14 Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal / rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets. Further details in this regard are contained in Table 59 MBRR SA34b on page 106.

2.7 Expenditure on grants and reconciliations of unspent funds

Table 45 MBRR SA19 - Expenditure on transfers and grant programmes

Description / R thousand	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
EXPENDITURE:									
<u>Operating expenditure of Transfers and Grants</u>									
National Government:	50 398	58 460	62 906	62 828	67 221	67 221	70 905	68 531	74 254
Local Government Equitable Share	46 120	52 652	53 914	56 129	56 129	56 129	57 629	58 936	62 196
Finance Management	2 395	1 485	1 550	1 600	1 600	1 600	1 600	1 625	1 700
Municipal Systems Improvement	1 382	800	890	934	934	934	930	957	1 033
Energy Efficiency and Demand Management	–	–	–	–	4 000	4 000	6 000	3 000	5 000
Municipal Infrastructure Grant	501	2 812	5 222	3 672	4 064	4 064	3 764	3 890	4 079
EPWP	–	711	287	125	125	125	123	–	–
INEP	–	–	1 043	368	368	368	860	123	246
Provincial Government:	4 048	8 076	6 028	1 744	1 871	1 871	2 099	2 137	2 293
Sport and Recreation	383	399	993	1 320	871	871	2 099	2 137	2 293
Health subsidy	1 170	1 363	1 275	424	1 000	1 000	–	–	–
Housing	1 655	6 313	3 708	–	–	–	–	–	–
Department of Water Affairs	840	–	52	–	–	–	–	–	–
District Municipality:	–	–	–	–	–	–	–	–	–
Other grant providers:	763	214	709	–	371	371	274	290	308
Sponsors for Cultural Festival	–	–	205	–	330	330	220	233	247
SETA Training	763	182	371	–	–	–	–	–	–
Other Grant Providers	–	32	71	–	–	–	–	–	–
FET Coghsta Learnership	–	–	62	–	41	41	54	57	61
Total operating expenditure of Transfers and Grants:	55 210	66 750	69 643	64 572	69 463	69 463	73 278	70 958	76 855
<u>Capital expenditure of Transfers and Grants</u>									
National Government:	12 107	23 343	45 651	21 882	24 685	24 685	25 835	20 326	22 151
Municipal Infrastructure Grant (MIG)	9 325	13 953	34 810	18 360	21 163	21 163	18 818	19 449	20 397
Integrated National Electrification Programme Grant	1 408	8 063	7 857	2 632	2 632	2 632	6 140	877	1 754
Extended Public Works Programme	1 374	1 326	2 984	890	890	890	877	–	–
Provincial Government:	–	177	6 586	626	14 758	14 758	–	–	–
Other Departments	–	116	735	626	7 602	7 602	–	–	–
Sport and Recreation	–	61	4 054	–	3 671	3 671	–	–	–
EPWP	–	–	–	–	3 484	3 484	–	–	–
Housing	–	–	1 796	–	–	–	–	–	–
District Municipality:	–	–	–	–	–	–	–	–	–
Other grant providers:	617	14 359	565	–	34	34	–	–	–
Saltcor	–	–	–	–	26	26	–	–	–
FIFA World Cup Legacy Programme	–	7 116	–	–	–	–	–	–	–
Other Grant Providers	617	7 243	–	–	–	–	–	–	–
Lotto	–	–	565	–	8	8	–	–	–
Total capital expenditure of Transfers and Grants	12 724	37 879	52 802	22 508	39 477	39 477	25 835	20 326	22 151
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS	67 934	104 629	122 445	87 080	108 939	108 939	99 113	91 284	99 006

Table 46 MBRR SA20 - Reconciliation between of transfers, grant receipts and unspent funds

Description / R thousand	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Operating transfers and grants:									
National Government:									
Balance unspent at beginning of the year	1 088	–	–	(1 521)	–	–	–	–	–
Current year receipts	48 352	58 460	62 742	62 828	67 221	67 221	70 905	68 531	74 254
Conditions met - transferred to revenue	50 398	58 460	62 906	62 828	67 221	67 221	70 905	68 531	74 254
Conditions still to be met - transferred to liabilities	(958)	–	(164)	(1 521)	–	–	–	–	–
Provincial Government:									
Balance unspent at beginning of the year	(2 008)	(2 396)	(2 458)	(2 460)	(1 084)	(1 084)	–	–	–
Current year receipts	4 063	8 014	19 925	1 744	1 871	1 871	2 099	2 137	2 293
Conditions met - transferred to revenue	4 048	8 076	6 028	1 744	1 871	1 871	2 099	2 137	2 293
Conditions still to be met - transferred to liabilities	(1 994)	(2 458)	11 439	(2 460)	(1 084)	(1 084)	–	–	–
District Municipality:									
Balance unspent at beginning of the year	–	–	–	–	–	–	–	–	–
Current year receipts	–	–	–	–	–	–	–	–	–
Conditions met - transferred to revenue	–	–	–	–	–	–	–	–	–
Conditions still to be met - transferred to liabilities	–	–	–	–	–	–	–	–	–
Other grant providers:									
Balance unspent at beginning of the year	20	152	(2 307)	30	(9)	(9)	–	–	–
Current year receipts	773	214	259	–	392	392	274	290	308
Conditions met - transferred to revenue	763	214	709	–	371	371	274	290	308
Conditions still to be met - transferred to liabilities	30	152	(2 758)	30	13	13	–	–	–
Total operating transfers and grants revenue	55 210	66 750	69 643	64 572	69 463	69 463	73 278	70 958	76 855
Total operating transfers and grants - CTBM	(2 922)	(2 307)	8 517	(3 951)	(1 071)	(1 071)	–	–	–
Capital transfers and grants:									
National Government:									
Balance unspent at beginning of the year	32 211	28 960	35 021	26 692	3 239	3 239	–	–	–
Current year receipts	10 200	29 404	36 727	21 882	21 882	21 882	25 835	20 326	22 151
Conditions met - transferred to revenue	12 107	23 343	45 651	21 882	24 685	24 685	25 835	20 326	22 151
Conditions still to be met - transferred to liabilities	30 303	35 021	26 097	26 692	436	436	–	–	–
Provincial Government:									
Balance unspent at beginning of the year	–	402	402	757	2 913	2 913	–	–	–
Current year receipts	1 487	177	2 503	626	11 889	11 889	–	–	–
Conditions met - transferred to revenue	–	177	6 586	626	14 758	14 758	–	–	–
Conditions still to be met - transferred to liabilities	1 487	402	(3 680)	757	44	44	–	–	–
District Municipality:									
Balance unspent at beginning of the year	9	–	–	–	–	–	–	–	–
Current year receipts	9	–	–	–	–	–	–	–	–
Conditions met - transferred to revenue	–	–	–	–	–	–	–	–	–
Conditions still to be met - transferred to liabilities	–	–	–	–	–	–	–	–	–
Other grant providers:									
Balance unspent at beginning of the year	916	1 629	(1 240)	(1 118)	61	61	–	–	–
Current year receipts	2 012	11 490	1 938	–	(4)	(4)	–	–	–
Conditions met - transferred to revenue	617	14 359	565	–	34	34	–	–	–
Conditions still to be met - transferred to liabilities	2 311	(1 240)	133	(1 118)	23	23	–	–	–
Total capital transfers and grants revenue	12 734	37 879	52 802	22 508	39 477	39 477	25 835	20 326	22 151
Total capital transfers and grants - CTBM	34 101	34 183	22 550	26 330	504	504	–	–	–
TOTAL TRANSFERS AND GRANTS REVENUE	67 944	104 629	122 445	87 080	108 939	108 939	99 113	91 284	99 006
TOTAL TRANSFERS AND GRANTS - CTBM	31 179	31 876	31 067	22 379	(568)	(564)	–	–	–

2.8 Councillor and employee benefits

Table 47 MBRR SA22 - Summary of councillor and staff benefits

Summary of Employee and Councillor remuneration	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
	A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)									
Salary	5 250	6 366	6 656	7 429	7 429	7 429	7 949	8 506	9 101
Pension Contributions	366	438	465	552	552	552	591	632	677
Medical Aid Contributions	–	–	–	–	–	–	–	–	–
Travel, Accommodation and Other Allowances	584	–	–	–	–	–	–	–	–
Cell phone allowance	331	–	–	–	–	–	–	–	–
Housing benefits and allowances	–	–	–	–	–	–	–	–	–
Other benefits or allowances	–	–	–	–	–	–	–	–	–
Sub Total - Councillors	6 531	6 804	7 120	7 981	7 981	7 981	8 540	9 138	9 777
% increase	–	4.2%	4.7%	12.1%	0.0%	0.0%	7.0%	7.0%	7.0%
Senior Managers of the Municipality									
Basic Salaries and Wages	3 384	3 305	4 280	8 104	8 104	8 104	8 671	9 278	9 928
Pension and UIF Contributions	452	539	663	–	–	–	–	–	–
Medical Aid Contributions	67	56	69	–	–	–	–	–	–
Overtime	–	–	–	–	–	–	–	–	–
Performance Bonus	482	313	–	885	750	750	803	859	919
Motor Vehicle Allowance	462	589	779	–	–	–	–	–	–
Cellphone Allowance	–	–	–	–	–	–	–	–	–
Housing Allowances	–	–	–	–	–	–	–	–	–
Other benefits and allowances	46	12	–	–	–	–	–	–	–
Payments in lieu of leave	–	99	–	–	–	–	–	–	–
Long service awards	–	–	–	–	–	–	–	–	–
Post-retirement benefit obligations	–	–	–	–	–	–	–	–	–
Sub Total - Senior Managers of Municipality	4 893	4 913	5 792	8 989	8 854	8 854	9 474	10 137	10 846
% increase	–	0.4%	17.9%	55.2%	-1.5%	0.0%	7.0%	7.0%	7.0%
Other Municipal Staff									
Basic Salaries and Wages	106 447	121 959	141 726	135 994	141 219	141 219	151 965	162 548	173 870
Pension and UIF Contributions	17 140	20 431	22 013	24 023	22 823	22 823	24 421	26 131	27 960
Medical Aid Contributions	7 983	9 564	10 484	11 482	10 956	10 956	11 723	12 543	13 421
Overtime	7 555	8 447	12 100	13 737	11 764	11 764	12 601	13 483	14 427
Performance Bonus	–	114	500	–	–	–	–	–	(0)
Motor Vehicle Allowance	5 553	7 550	733	7 331	8 765	8 765	3 677	3 824	3 977
Cellphone Allowance	–	–	–	–	–	–	–	–	–
Housing Allowances	336	336	285	3 791	305	305	317	330	343
Other benefits and allowances	3 569	4 366	5 806	4 191	1 185	1 185	6 863	7 344	7 858
Payments in lieu of leave	–	–	–	–	–	–	–	–	–
Long service awards	–	–	–	–	289	289	310	331	355
Post-retirement benefit obligations	3 788	2 839	–	2 219	–	–	–	–	–
Sub Total - Other Municipal Staff	152 372	175 608	193 648	202 768	197 306	197 306	211 877	226 534	242 210
% increase	–	15.2%	10.3%	4.7%	-2.7%	0.0%	7.4%	6.9%	6.9%
Total Parent Municipality	163 795	187 325	206 560	219 738	214 141	214 141	229 891	245 808	262 834
TOTAL SALARY, ALLOWANCES & BENEFITS	163 795	187 325	206 560	219 738	214 141	214 141	229 891	245 808	262 834
% increase	–	14.4%	10.3%	6.4%	-2.5%	0.0%	7.4%	6.9%	6.9%
TOTAL MANAGERS AND STAFF	157 264	180 521	199 440	211 757	206 160	206 160	221 351	236 671	253 057

**Table 48 MBRR SA23 - Salaries, allowances and benefits
(political office bearers/councillors/ senior managers)**

Disclosure of Salaries, Allowances & Benefits / R per annum	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Councillors						
Speaker	602 548	–	–	–	–	602 548
Executive Mayor	639 469	108 133	–	–	–	747 603
Executive Committee	1 211 137	74 353	–	–	–	1 285 491
Total for all other councillors	5 495 942	408 395	–	–	–	5 904 337
Total Councillors	7 949 097	590 881	–	–	–	8 539 978
Senior Managers of the Municipality						
Municipal Manager (MM)	1 692 531	–	–	169 097	–	1 861 628
Chief Finance Officer	1 161 280	–	–	105 347	–	1 266 626
Director: Corporate Services	1 161 280	–	–	105 347	–	1 266 626
Director: Development Services	1 161 280	–	–	105 347	–	1 266 626
Director: Electro MechServices	1 172 308	–	–	106 670	–	1 278 978
Director: Civil Engineering Services	1 161 280	–	–	105 347	–	1 266 626
Director: Development And Planning Services	1 161 280	–	–	105 347	–	1 266 626
Total Senior Managers of the Municipality	8 671 237	–	–	802 500	–	9 473 737
TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION	16 620 334	590 881	–	802 500	–	18 013 715

Table 49 MBRR SA24 – Summary of personnel numbers

Summary of Personnel Numbers	2013/14			Current Year 2014/15			Budget Year 2015/16		
Number	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
Municipal Council and Boards of Municipal Entities									
Councillors (Political Office Bearers plus Other Councillors)	27	–	27	27	–	27	27	–	27
Board Members of municipal entities	–	–	–	–	–	–	–	–	–
Municipal employees									
Municipal Manager and Senior Managers	5	3	2	7	5	2	7	5	2
Other Managers	19	19	1	19	19	1	19	19	1
Professionals	39	38	–	41	41	–	41	41	–
Finance	11	11	–	14	14	–	14	14	–
Spatial/town planning	2	2	–	2	2	–	2	2	–
Information Technology	–	–	–	–	–	–	–	–	–
Roads	–	–	–	–	–	–	–	–	–
Electricity	1	–	–	–	–	–	–	–	–
Water	–	–	–	–	–	–	–	–	–
Sanitation	–	–	–	–	–	–	–	–	–
Refuse	–	–	–	–	–	–	–	–	–
Other	25	25	–	25	25	–	25	25	–
Technicians	91	85	–	91	89	–	91	89	–
Finance	–	–	–	–	–	–	–	–	–
Spatial/town planning	4	4	–	4	4	–	4	4	–
Information Technology	6	4	–	6	5	–	6	5	–
Roads	11	11	–	11	11	–	11	11	–
Electricity	11	11	–	11	11	–	11	11	–
Water	10	7	–	10	9	–	10	9	–
Sanitation	3	2	–	3	3	–	3	3	–
Refuse	3	3	–	3	3	–	3	3	–
Other	43	43	–	43	43	–	43	43	–
Clerks (Clerical and administrative)	157	157	–	166	166	–	166	166	–
Service and sales workers	120	110	–	120	115	–	120	115	–
Skilled agricultural and fishery workers	3	3	–	4	4	–	4	4	–
Craft and related trades	3	3	–	3	3	–	3	3	–
Plant and Machine Operators	74	74	–	74	74	–	74	74	–
Elementary Occupations	397	394	–	397	397	–	397	397	–
TOTAL PERSONNEL NUMBERS	935	886	30	949	913	30	949	913	30

2.9 Monthly targets for revenue, expenditure and cash flow

Table 50 MBRR SA25 - Budgeted monthly revenue and expenditure

Description / R thousand	Budget Year 2015/16												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue By Source															
Property rates	6 291	6 291	6 291	6 291	6 291	6 291	6 291	6 291	6 291	6 291	6 291	6 291	75 488	80 772	86 426
Service charges - electricity revenue	20 619	20 619	20 619	20 619	20 619	20 619	20 619	20 619	20 619	20 619	20 619	20 619	247 425	262 271	278 007
Service charges - water revenue	4 059	4 059	4 059	4 059	4 059	4 059	4 059	4 059	4 059	4 059	4 059	4 059	48 709	52 164	55 863
Service charges - sanitation revenue	2 562	2 562	2 562	2 562	2 562	2 562	2 562	2 562	2 562	2 562	2 562	2 562	30 739	32 892	35 195
Service charges - refuse revenue	2 426	2 426	2 426	2 426	2 426	2 426	2 426	2 426	2 426	2 426	2 426	2 426	29 108	31 731	34 589
Rental of facilities and equipment	793	793	793	793	793	793	793	793	793	793	793	793	9 521	10 358	11 272
Interest earned - external investments	50	50	50	50	50	50	50	50	50	50	50	50	600	636	674
Interest earned - outstanding debtors	200	200	200	200	200	200	200	200	200	200	200	200	2 400	2 544	2 697
Fines	36	36	36	36	36	36	36	36	36	36	36	36	431	457	484
Licences and permits	134	134	134	134	134	134	134	134	134	134	134	134	1 612	1 709	1 811
Agency services	288	288	288	288	288	288	288	288	288	288	288	288	3 450	3 657	3 876
Transfers recognised - operational	6 106	6 106	6 106	6 106	6 106	6 106	6 106	6 106	6 106	6 106	6 106	6 106	73 278	70 958	76 855
Other revenue	804	804	804	804	804	804	804	804	804	804	804	804	9 649	10 228	10 841
Gains on disposal of PPE	1 668	1 668	1 668	1 668	1 668	1 668	1 668	1 668	1 668	1 668	1 668	1 668	20 010	21 211	22 483
Total Revenue (excluding capital transfers and contributions)	46 035	46 035	46 035	46 035	46 035	46 035	46 035	46 035	46 035	46 035	46 035	46 035	552 421	581 586	621 075
Expenditure By Type															
Employee related costs	18 446	18 446	18 446	18 446	18 446	18 446	18 446	18 446	18 446	18 446	18 446	18 446	221 351	236 671	253 057
Remuneration of councillors	712	712	712	712	712	712	712	712	712	712	712	712	8 540	9 138	9 777
Debt impairment	167	167	167	167	167	167	167	167	167	167	167	167	2 000	2 120	2 247
Depreciation & asset impairment	9 043	9 043	9 043	9 043	9 043	9 043	9 043	9 043	9 043	9 043	9 043	9 043	108 519	106 349	104 222
Finance charges	1 120	1 120	1 120	1 120	1 120	1 120	1 120	1 120	1 120	1 120	1 120	1 120	13 436	12 070	11 414
Bulk purchases	14 597	14 597	14 597	14 597	14 597	14 597	14 597	14 597	14 597	14 597	14 597	14 597	175 164	196 265	219 922
Contracted services	1 030	1 030	1 030	1 030	1 030	1 030	1 030	1 030	1 030	1 030	1 030	1 030	12 363	12 654	13 687
Transfers and grants	1 800	1 800	1 800	1 800	1 800	1 800	1 800	1 800	1 800	1 800	1 800	1 800	21 597	23 107	24 493
Other expenditure	6 703	6 703	6 703	6 703	6 703	6 703	6 703	6 703	6 703	6 703	6 703	6 703	80 433	82 561	88 863
Total Expenditure	53 617	53 617	53 617	53 617	53 617	53 617	53 617	53 617	53 617	53 617	53 617	53 617	643 402	680 934	727 683
Surplus/(Deficit)	(7 582)	(7 582)	(7 582)	(7 582)	(7 582)	(7 582)	(7 582)	(7 582)	(7 582)	(7 582)	(7 582)	(7 582)	(90 982)	(99 348)	(106 608)
Transfers recognised - capital	2 153	2 153	2 153	2 153	2 153	2 153	2 153	2 153	2 153	2 153	2 153	2 153	25 835	20 326	22 151
Surplus/(Deficit) after capital transfers & contributions	(5 429)	(5 429)	(5 429)	(5 429)	(5 429)	(5 429)	(5 429)	(5 429)	(5 429)	(5 429)	(5 429)	(5 429)	(65 146)	(79 022)	(84 457)
Surplus/(Deficit)	(5 429)	(5 429)	(5 429)	(5 429)	(5 429)	(5 429)	(5 429)	(5 429)	(5 429)	(5 429)	(5 429)	(5 429)	(65 146)	(79 022)	(84 457)

Table 51 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)

Description / R thousand	Budget Year 2015/16												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue by Vote															
Vote 1 - MUNICIPAL MANAGER	18	18	18	18	18	18	18	18	18	18	18	18	220	233	247
Vote 2 - CORPORATE SERVICES	1 844	1 844	1 844	1 844	1 844	1 844	1 844	1 844	1 844	1 844	1 844	1 844	22 133	23 461	24 869
Vote 3 - FINANCIAL SERVICES	14 292	14 292	14 292	14 292	14 292	14 292	14 292	14 292	14 292	14 292	14 292	14 292	171 509	171 844	183 596
Vote 4 - COMMUNITY SERVICES	3 215	3 215	3 215	3 215	3 215	3 215	3 215	3 215	3 215	3 215	3 215	3 215	38 584	41 686	45 170
Vote 5 - TECHNICAL DIRECTOR	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 6 - ELECTRO MECHANICAL SERVICES	21 085	21 085	21 085	21 085	21 085	21 085	21 085	21 085	21 085	21 085	21 085	21 085	253 017	265 251	282 763
Vote 7 - CIVIL ENGINEERING SERVICES	6 643	6 643	6 643	6 643	6 643	6 643	6 643	6 643	6 643	6 643	6 643	6 643	79 713	85 336	91 356
Vote 8 - DEVELOPMENT AND PLANNING SERVICES	1 090	1 090	1 090	1 090	1 090	1 090	1 090	1 090	1 090	1 090	1 090	1 090	13 080	14 101	15 226
Total Revenue by Vote	48 188	48 188	48 188	48 188	48 188	48 188	48 188	48 188	48 188	48 188	48 188	48 188	578 256	601 913	643 226
Expenditure by Vote to be appropriated															
Vote 1 - MUNICIPAL MANAGER	2 988	2 988	2 988	2 988	2 988	2 988	2 988	2 988	2 988	2 988	2 988	2 988	35 860	38 211	40 720
Vote 2 - CORPORATE SERVICES	2 366	2 366	2 366	2 366	2 366	2 366	2 366	2 366	2 366	2 366	2 366	2 366	28 388	30 052	31 837
Vote 3 - FINANCIAL SERVICES	4 139	4 139	4 139	4 139	4 139	4 139	4 139	4 139	4 139	4 139	4 139	4 139	49 668	52 879	56 180
Vote 4 - COMMUNITY SERVICES	10 392	10 392	10 392	10 392	10 392	10 392	10 392	10 392	10 392	10 392	10 392	10 392	124 706	132 054	140 035
Vote 5 - TECHNICAL DIRECTOR	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 6 - ELECTRO MECHANICAL SERVICES	18 669	18 669	18 669	18 669	18 669	18 669	18 669	18 669	18 669	18 669	18 669	18 669	224 034	242 191	268 011
Vote 7 - CIVIL ENGINEERING SERVICES	13 121	13 121	13 121	13 121	13 121	13 121	13 121	13 121	13 121	13 121	13 121	13 121	157 449	160 871	164 732
Vote 8 - DEVELOPMENT AND PLANNING SERVICES	1 942	1 942	1 942	1 942	1 942	1 942	1 942	1 942	1 942	1 942	1 942	1 942	23 299	24 676	26 168
Total Expenditure by Vote	53 617	53 617	53 617	53 617	53 617	53 617	53 617	53 617	53 617	53 617	53 617	53 617	643 402	680 934	727 683
Surplus/(Deficit) before assoc.	(5 429)	(5 429)	(5 429)	(5 429)	(5 429)	(5 429)	(5 429)	(5 429)	(5 429)	(5 429)	(5 429)	(5 429)	(65 146)	(79 022)	(84 457)
Surplus/(Deficit)	(5 429)	(5 429)	(5 429)	(5 429)	(5 429)	(5 429)	(5 429)	(5 429)	(5 429)	(5 429)	(5 429)	(5 429)	(65 146)	(79 022)	(84 457)

Table 52 MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)

Description / R thousand	Budget Year 2015/16												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue - Standard															
<i>Governance and administration</i>	16 155	16 155	16 155	16 155	16 155	16 155	16 155	16 155	16 155	16 155	16 155	16 155	193 863	195 539	208 713
Executive and council	18	18	18	18	18	18	18	18	18	18	18	18	220	233	247
Budget and treasury office	14 292	14 292	14 292	14 292	14 292	14 292	14 292	14 292	14 292	14 292	14 292	14 292	171 509	171 844	183 596
Corporate services	1 845	1 845	1 845	1 845	1 845	1 845	1 845	1 845	1 845	1 845	1 845	1 845	22 134	23 462	24 870
<i>Community and public safety</i>	1 449	1 449	1 449	1 449	1 449	1 449	1 449	1 449	1 449	1 449	1 449	1 449	17 383	18 604	20 040
Community and social services	203	203	203	203	203	203	203	203	203	203	203	203	2 440	2 499	2 677
Sport and recreation	638	638	638	638	638	638	638	638	638	638	638	638	7 656	8 381	9 176
Public safety	502	502	502	502	502	502	502	502	502	502	502	502	6 018	6 380	6 762
Housing	104	104	104	104	104	104	104	104	104	104	104	104	1 250	1 325	1 405
Health	2	2	2	2	2	2	2	2	2	2	2	2	18	19	20
<i>Economic and environmental services</i>	453	453	453	453	453	453	453	453	453	453	453	453	5 431	5 728	6 058
Planning and development	431	431	431	431	431	431	431	431	431	431	431	431	5 171	5 452	5 766
Road transport	22	22	22	22	22	22	22	22	22	22	22	22	260	276	292
<i>Trading services</i>	30 131	30 131	30 131	30 131	30 131	30 131	30 131	30 131	30 131	30 131	30 131	30 131	361 578	382 041	408 415
Electricity	21 085	21 085	21 085	21 085	21 085	21 085	21 085	21 085	21 085	21 085	21 085	21 085	253 016	265 250	282 762
Water	4 060	4 060	4 060	4 060	4 060	4 060	4 060	4 060	4 060	4 060	4 060	4 060	48 714	52 169	55 869
Waste water management	2 562	2 562	2 562	2 562	2 562	2 562	2 562	2 562	2 562	2 562	2 562	2 562	30 739	32 892	35 195
Waste management	2 426	2 426	2 426	2 426	2 426	2 426	2 426	2 426	2 426	2 426	2 426	2 426	29 108	31 731	34 589
Other	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1
Total Revenue - Standard	48 188	48 188	48 188	48 188	48 188	48 188	48 188	48 188	48 188	48 188	48 188	48 188	578 256	601 913	643 226
Expenditure - Standard															
<i>Governance and administration</i>	11 229	11 229	11 229	11 229	11 229	11 229	11 229	11 229	11 229	11 229	11 229	11 229	134 750	139 495	149 612
Executive and council	3 427	3 427	3 427	3 427	3 427	3 427	3 427	3 427	3 427	3 427	3 427	3 427	41 123	40 843	45 106
Budget and treasury office	4 041	4 041	4 041	4 041	4 041	4 041	4 041	4 041	4 041	4 041	4 041	4 041	48 497	51 639	54 866
Corporate services	3 761	3 761	3 761	3 761	3 761	3 761	3 761	3 761	3 761	3 761	3 761	3 761	45 130	47 013	49 639
<i>Community and public safety</i>	7 398	7 398	7 398	7 398	7 398	7 398	7 398	7 398	7 398	7 398	7 398	7 398	88 778	93 715	99 127
Community and social services	809	809	809	809	809	809	809	809	809	809	809	809	9 707	10 223	10 891
Sport and recreation	3 510	3 510	3 510	3 510	3 510	3 510	3 510	3 510	3 510	3 510	3 510	3 510	42 124	44 183	46 400
Public safety	2 232	2 232	2 232	2 232	2 232	2 232	2 232	2 232	2 232	2 232	2 232	2 232	26 782	28 482	30 301
Housing	387	387	387	387	387	387	387	387	387	387	387	387	4 647	4 958	5 290
Health	460	460	460	460	460	460	460	460	460	460	460	460	5 518	5 870	6 246
<i>Economic and environmental services</i>	6 723	6 723	6 723	6 723	6 723	6 723	6 723	6 723	6 723	6 723	6 723	6 723	80 681	81 565	82 667
Planning and development	1 373	1 373	1 373	1 373	1 373	1 373	1 373	1 373	1 373	1 373	1 373	1 373	16 474	17 532	18 681
Road transport	5 351	5 351	5 351	5 351	5 351	5 351	5 351	5 351	5 351	5 351	5 351	5 351	64 207	64 033	63 986
<i>Trading services</i>	28 105	28 105	28 105	28 105	28 105	28 105	28 105	28 105	28 105	28 105	28 105	28 105	337 259	364 096	394 076
Electricity	18 168	18 168	18 168	18 168	18 168	18 168	18 168	18 168	18 168	18 168	18 168	18 168	218 022	239 659	264 025
Water	4 333	4 333	4 333	4 333	4 333	4 333	4 333	4 333	4 333	4 333	4 333	4 333	51 990	53 648	55 481
Waste water management	2 960	2 960	2 960	2 960	2 960	2 960	2 960	2 960	2 960	2 960	2 960	2 960	35 522	37 069	38 726
Waste management	2 644	2 644	2 644	2 644	2 644	2 644	2 644	2 644	2 644	2 644	2 644	2 644	31 724	33 719	35 845
Other	161	161	161	161	161	161	161	161	161	161	161	161	1 935	2 064	2 201
Total Expenditure - Standard	53 617	53 617	53 617	53 617	53 617	53 617	53 617	53 617	53 617	53 617	53 617	53 617	643 402	680 934	727 683
Surplus/(Deficit) before assoc.	(5 429)	(5 429)	(5 429)	(5 429)	(5 429)	(5 429)	(5 429)	(5 429)	(5 429)	(5 429)	(5 429)	(5 429)	(65 146)	(79 022)	(84 457)
Surplus/(Deficit)	(5 429)	(5 429)	(5 429)	(5 429)	(5 429)	(5 429)	(5 429)	(5 429)	(5 429)	(5 429)	(5 429)	(5 429)	(65 146)	(79 022)	(84 457)

Table 53 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)

Description / R thousand	Budget Year 2015/16												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<u>Multi-year expenditure to be appropriated</u>															
Vote 1 - MUNICIPAL MANAGER	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 2 - CORPORATE SERVICES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 3 - FINANCIAL SERVICES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 4 - COMMUNITY SERVICES	1 360	1 360	1 360	1 360	1 360	1 360	1 360	1 360	1 360	1 360	1 360	1 360	16 318	2 881	1 074
Vote 5 - TECHNICAL DIRECTOR	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 6 - ELECTRO MECHANICAL SERVICES	4	4	4	4	4	4	4	4	4	4	4	4	50	-	-
Vote 7 - CIVIL ENGINEERING SERVICES	208	208	208	208	208	208	208	208	208	208	208	208	2 499	6 726	19 323
Vote 8 - DEVELOPMENT AND PLANNING SERVICES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	1 572	1 572	1 572	1 572	1 572	1 572	1 572	1 572	1 572	1 572	1 572	1 572	18 867	9 607	20 397
<u>Single-year expenditure to be appropriated</u>															
Vote 1 - MUNICIPAL MANAGER	125	125	125	125	125	125	125	125	125	125	125	125	1 500	1 500	1 500
Vote 2 - CORPORATE SERVICES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 3 - FINANCIAL SERVICES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 4 - COMMUNITY SERVICES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 5 - TECHNICAL DIRECTOR	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 6 - ELECTRO MECHANICAL SERVICES	1 135	1 135	1 135	1 135	1 135	1 135	1 135	1 135	1 135	1 135	1 135	1 135	13 616	5 959	2 383
Vote 7 - CIVIL ENGINEERING SERVICES	81	81	81	81	81	81	81	81	81	81	81	81	968	5 500	-
Vote 8 - DEVELOPMENT AND PLANNING SERVICES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total	1 340	1 340	1 340	1 340	1 340	1 340	1 340	1 340	1 340	1 340	1 340	1 340	16 084	12 959	3 883
Total Capital Expenditure	2 913	2 913	2 913	2 913	2 913	2 913	2 913	2 913	2 913	2 913	2 913	2 913	34 951	22 566	24 280

Table 54 MBRR SA29 - Budgeted monthly capital expenditure (standard classification)

Description / R thousand	Budget Year 2015/16												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Capital Expenditure - Standard															
<i>Governance and administration</i>	150	150	150	150	150	150	150	150	150	150	150	150	1 800	1 500	1 500
Executive and council	125	125	125	125	125	125	125	125	125	125	125	125	1 500	1 500	1 500
Corporate services	25	25	25	25	25	25	25	25	25	25	25	25	300	–	–
<i>Community and public safety</i>	1 360	1 360	1 360	1 360	1 360	1 360	1 360	1 360	1 360	1 360	1 360	1 360	16 318	2 881	1 074
Sport and recreation	1 360	1 360	1 360	1 360	1 360	1 360	1 360	1 360	1 360	1 360	1 360	1 360	16 318	2 881	1 074
<i>Economic and environmental services</i>	144	144	144	144	144	144	144	144	144	144	144	144	1 725	–	–
Road transport	144	144	144	144	144	144	144	144	144	144	144	144	1 725	–	–
<i>Trading services</i>	1 259	1 259	1 259	1 259	1 259	1 259	1 259	1 259	1 259	1 259	1 259	1 259	15 108	18 185	21 707
Electricity	1 114	1 114	1 114	1 114	1 114	1 114	1 114	1 114	1 114	1 114	1 114	1 114	13 366	5 959	2 383
Water	145	145	145	145	145	145	145	145	145	145	145	145	1 743	5 500	–
Waste water management	–	–	–	–	–	–	–	–	–	–	–	–	–	6 726	19 323
Total Capital Expenditure - Standard	2 913	2 913	2 913	2 913	2 913	2 913	2 913	2 913	2 913	2 913	2 913	2 913	34 951	22 566	24 280

Table 55 MBRR SA30 - Budgeted monthly cash flow

MONTHLY CASH FLOWS / R thousand	Budget Year 2015/16												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Cash Receipts By Source															
Property rates	6 374	6 374	6 374	6 374	6 374	6 374	6 374	6 374	6 374	6 374	6 374	6 374	76 488	81 272	86 926
Property rates - penalties & collection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	20 619	20 619	20 619	20 619	20 619	20 619	20 619	20 619	20 619	20 619	20 619	20 619	247 425	262 271	278 007
Service charges - water revenue	4 059	4 059	4 059	4 059	4 059	4 059	4 059	4 059	4 059	4 059	4 059	4 059	48 709	52 164	55 863
Service charges - sanitation revenue	2 562	2 562	2 562	2 562	2 562	2 562	2 562	2 562	2 562	2 562	2 562	2 562	30 739	32 892	35 195
Service charges - refuse revenue	2 426	2 426	2 426	2 426	2 426	2 426	2 426	2 426	2 426	2 426	2 426	2 426	29 108	31 731	34 589
Service charges - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment	793	793	793	793	793	793	793	793	793	793	793	793	9 521	10 358	11 272
Interest earned - external investments	50	50	50	50	50	50	50	50	50	50	50	50	600	636	674
Interest earned - outstanding debtors	200	200	200	200	200	200	200	200	200	200	200	200	2 400	2 544	2 697
Dividends received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines	36	36	36	36	36	36	36	36	36	36	36	36	431	457	484
Licences and permits	134	134	134	134	134	134	134	134	134	134	134	134	1 612	1 709	1 811
Agency services	288	288	288	288	288	288	288	288	288	288	288	288	3 450	3 657	3 876
Transfer receipts - operational	6 106	6 106	6 106	6 106	6 106	6 106	6 106	6 106	6 106	6 106	6 106	6 106	73 278	70 958	76 855
Other revenue	679	679	679	679	679	679	679	679	679	679	679	679	8 149	8 638	9 156
Cash Receipts by Source	44 326	44 326	44 326	44 326	44 326	44 326	44 326	44 326	44 326	44 326	44 326	44 326	531 911	559 286	597 406
Other Cash Flows by Source															
Transfer receipts - capital	2 153	2 153	2 153	2 153	2 153	2 153	2 153	2 153	2 153	2 153	2 153	2 153	25 835	20 326	22 151
Contributions recognised - capital & Contributed assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds on disposal of PPE	1 668	1 668	1 668	1 668	1 668	1 668	1 668	1 668	1 668	1 668	1 668	1 668	20 010	21 211	22 483
Short term loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits	42	42	42	42	42	42	42	42	42	42	42	42	500	500	500
Decrease (Increase) in non-current debtors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables	1	1	1	1	1	1	1	1	1	1	1	1	6	6	6
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Receipts by Source	48 189	48 189	48 189	48 189	48 189	48 189	48 189	48 189	48 189	48 189	48 189	48 189	578 262	601 329	642 547
Cash Payments by Type															
Employee related costs	18 446	18 446	18 446	18 446	18 446	18 446	18 446	18 446	18 446	18 446	18 446	18 446	221 351	236 671	253 057
Remuneration of councillors	712	712	712	712	712	712	712	712	712	712	712	712	8 540	9 138	9 777
Finance charges	1 120	1 120	1 120	1 120	1 120	1 120	1 120	1 120	1 120	1 120	1 120	1 120	13 436	12 070	11 414
Bulk purchases - Electricity	14 167	14 167	14 167	14 167	14 167	14 167	14 167	14 167	14 167	14 167	14 167	14 167	170 000	190 740	214 010
Bulk purchases - Water & Sewer	430	430	430	430	430	430	430	430	430	430	430	430	5 164	5 525	5 912
Other materials	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contracted services	1 030	1 030	1 030	1 030	1 030	1 030	1 030	1 030	1 030	1 030	1 030	1 030	12 363	12 654	13 687
Transfers and grants - other municipalities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers and grants - other	1 800	1 800	1 800	1 800	1 800	1 800	1 800	1 800	1 800	1 800	1 800	1 800	21 597	23 107	24 493
Other expenditure	6 114	6 114	6 114	6 114	6 114	6 114	6 114	6 114	6 114	6 114	6 114	6 114	73 371	76 522	77 021
Cash Payments by Type	43 818	43 818	43 818	43 818	43 818	43 818	43 818	43 818	43 818	43 818	43 818	43 818	525 821	566 426	609 372
Other Cash Flows/Payments by Type															
Capital assets	2 913	2 913	2 913	2 913	2 913	2 913	2 913	2 913	2 913	2 913	2 913	2 913	34 951	22 566	24 280
Repayment of borrowing	1 369	1 369	1 369	1 369	1 369	1 369	1 369	1 369	1 369	1 369	1 369	1 369	16 430	10 837	7 394
Other Cash Flows/Payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Payments by Type	48 100	48 100	48 100	48 100	48 100	48 100	48 100	48 100	48 100	48 100	48 100	48 100	577 202	599 829	641 047
NET INCREASE/(DECREASE) IN CASH HELD	88	88	88	88	88	88	88	88	88	88	88	88	1 060	1 500	1 500
Cash/cash equivalents at the month/year begin:	5 940	6 028	6 117	6 205	6 293	6 382	6 470	6 558	6 647	6 735	6 823	6 912	5 940	7 000	8 500
Cash/cash equivalents at the month/year end:	6 028	6 117	6 205	6 293	6 382	6 470	6 558	6 647	6 735	6 823	6 912	7 000	7 000	8 500	10 000

2.10 Annual budgets and SDBIPs – internal departments

2.10.1 Water Services Department – Vote 5

The department is primarily responsible for the distribution of potable water within the municipal boundary, which includes the purification of raw water, maintenance of the reticulation network and implementation of the departmental capital programme.

**Table 56 Water Services Department –
Operating revenue by source, expenditure by type and total capital expenditure**

Description / R thousand	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue By Source									
Service charges - water revenue	35 695	39 752	46 747	43 104	45 228	45 228	48 709	52 164	55 863
Other revenue	44	19	17	2 521	–	–	5	5	6
Total Revenue (excluding capital transfers and contributions)	35 739	39 771	46 764	45 625	45 228	45 228	48 714	52 169	55 869
Expenditure By Type									
Employee related costs	7 828	8 632	10 538	11 189	11 649	11 649	12 464	13 337	14 270
Depreciation & asset impairment	13 080	15 168	21 682	15 835	15 835	15 835	15 518	15 208	14 904
Finance charges	3 062	3 965	4 216	5 131	3 675	3 675	3 195	2 990	2 812
Bulk purchases	1 667	1 925	2 971	4 826	4 826	4 826	5 164	5 525	5 912
Contracted services	–	26	–	550	600	600	600	636	674
Other expenditure	13 294	13 294	9 248	12 725	14 373	14 373	19 009	17 500	18 550
Total Expenditure	38 931	41 775	52 237	54 158	50 959	50 959	51 990	53 648	55 481
Surplus/(Deficit)	(3 192)	(2 004)	(5 473)	(8 533)	(5 731)	(5 731)	(3 276)	(1 479)	388
Surplus/(Deficit) for the year	(3 192)	(2 004)	(5 473)	(8 533)	(5 731)	(5 731)	(3 276)	(1 479)	388

Table 57 Water Services Department – Performance objectives and indicators

Key Performance Element	Key Performance Indicator (KPI)	Annual Target	Quarter 1 - Target	Quarter 2 - Target	Quarter 3 - Target	Quarter 4 - Target
Strategic Objective: Basic Service Delivery						
Water Distribution	New meter connections - % of requests executed	100%	100%	100%	100%	100%
	Attend to leaks, bursts and queries - % of requests attended to	95%	95%	95%	95%	95%
	Prepaid Meters installed - % of requests executed	100%	100%	100%	100%	100%
	Meter replacements - % of faulty meters replaced	100%	100%	100%	100%	100%
Water Purification	Purify raw water compliant with blue drop status	95%	N/A	N/A	N/A	95%

Water services consist of 2 divisions within the sub-directorate; civil engineering services. As part of the performance objectives for the 2015/2016 financial year, the expansion of the functional water distribution unit will, in terms of the management of the pre-paid meters, require the subsequent filling of vacancies.

Significant capital projects to be undertaken over the medium term includes, amongst others:

- Installation of water meters – R 7.2 million;

The total needs are far greater than the available financial resources.

The departmental strategy is ensuring the economic value and useful life of the water reticulation network and infrastructure is maintained. To this end, the medium-term expenditure framework provides for operational repairs and maintenance of R 2.0 million, R 2.1 million and R 2.2 million in each of the respective financial years of the MTREF.

The departmental revenue base is primarily informed by the sale of water of which budget appropriation for the 2015/2016 financial year is R 48.7 million and increases to R 55.9 million by 2017/2018 and has been informed by a collection rate of 98.0% and distribution losses of over 38%. The reduction of distribution losses is considered a priority and hence the departmental objectives and targets provide for an efficiency gain per annum.

2.11 Contracts having future budgetary implications

In terms of the municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

2.12 Capital expenditure details

The following three tables present details of the municipality's capital expenditure programme, firstly on new assets, then the renewal of assets and finally on the repair and maintenance of assets.

Table 58 MBRR SA34a - Capital expenditure on new assets by asset class

Description / R thousand	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<u>Capital expenditure on new assets by Asset Class/Sub-class</u>									
<u>Infrastructure</u>	14 951	37 796	70 478	32 202	59 988	59 988	15 135	18 185	21 707
Infrastructure - Road transport	3 887	14 347	22 494	6 207	8 583	8 583	1 725	-	-
<i>Roads, Pavements & Bridges</i>	3 887	14 347	22 494	6 207	8 583	8 583	1 725	-	-
Infrastructure - Electricity	4 886	21 714	13 559	5 429	8 971	8 971	11 758	5 959	2 383
<i>Transmission & Reticulation</i>	4 886	21 714	13 559	5 429	8 971	8 971	11 758	5 959	2 383
<i>Street Lighting</i>	-	-	-	-	-	-	-	-	-
Infrastructure - Water	5 404	1 262	25 158	14 776	34 249	34 249	1 652	5 500	-
<i>Dams & Reservoirs</i>	187	-	-	-	-	-	-	-	-
<i>Reticulation</i>	5 216	1 262	25 158	14 776	34 249	34 249	1 652	5 500	-
Infrastructure - Sanitation	356	472	9 247	5 790	7 702	7 702	-	6 726	19 323
<i>Reticulation</i>	356	-	-	2 856	7 569	7 569	-	-	-
<i>Sewerage purification</i>	-	472	9 247	2 933	133	133	-	6 726	19 323
Infrastructure - Other	418	-	20	-	483	483	-	-	-
<i>Waste Management</i>	418	-	-	-	-	-	-	-	-
<i>Transportation</i>	-	-	-	-	-	-	-	-	-
<i>Other</i>	-	-	20	-	483	483	-	-	-
<u>Community</u>	2 530	11 922	10 471	9 451	4 013	4 013	16 318	2 881	1 074
Parks & gardens	428	7 547	3 771	4 727	56	56	9 417	2 881	1 074
Sportsfields & stadia	644	2 601	6 700	4 724	3 956	3 956	6 901	-	-
Swimming pools	-	-	-	-	-	-	-	-	-
Cemeteries	1 452	-	-	-	-	-	-	-	-
Other	5	1 773	-	-	-	-	-	-	-
<u>Heritage assets</u>	-	-	-	-	-	-	-	-	-
<u>Investment properties</u>	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<u>Other assets</u>	19 568	17 490	6 269	1 626	5 270	5 270	1 891	1 500	1 500
General vehicles	13 547	5 205	1 719	-	-	-	-	-	-
Specialised vehicles	982	806	-	-	-	-	-	-	-
Plant & equipment	2 996	767	2 467	-	762	762	-	-	-
Computers - hardware/equipment	281	-	-	-	535	535	-	-	-
Furniture and other office equipment	543	494	159	-	821	821	-	-	-
Other Buildings	1 199	5 848	-	-	3 012	3 012	391	-	-
Other Land	-	-	-	-	-	-	-	-	-
Other	21	4 370	35	1 626	140	140	1 500	1 500	1 500
<u>Agricultural assets</u>	-	-	-	-	-	-	-	-	-
<u>Biological assets</u>	-	-	-	-	-	-	-	-	-
<u>Intangibles</u>	571	460	30	-	-	-	-	-	-
Computers - software & programming	571	460	30	-	-	-	-	-	-
Total Capital Expenditure on new assets	37 620	67 667	87 248	43 279	69 270	69 270	33 344	22 566	24 280

Table 59 MBRR SA34b - Capital expenditure on the renewal of existing assets by asset class

Description / R thousand	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<u>Capital expenditure on renewal of existing assets by Asset Class/Sub-class</u>									
<u>Infrastructure</u>	4 589	6 859	6 408	400	456	456	1 608	-	-
Infrastructure - Road transport	4 352	6 454	5 866	-	99	99	-	-	-
Roads, Pavements & Bridges	4 352	6 454	5 866	-	99	99	-	-	-
Infrastructure - Electricity	-	-	-	-	-	-	1 608	-	-
Transmission & Reticulation	-	-	-	-	-	-	1 608	-	-
Infrastructure - Water	147	327	293	400	-	-	-	-	-
Reticulation	147	327	293	400	-	-	-	-	-
Infrastructure - Sanitation	91	78	249	-	357	357	-	-	-
Reticulation	91	78	249	-	-	-	-	-	-
Sewerage purification	-	-	-	-	357	357	-	-	-
Infrastructure - Other	-	-	-	-	-	-	-	-	-
<u>Community</u>	45	-	-	-	-	-	-	-	-
Sportsfields & stadia	45	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-
<u>Heritage assets</u>	-	-	-	-	-	-	-	-	-
<u>Investment properties</u>	-	-	-	-	-	-	-	-	-
<u>Other assets</u>	264	184	1 342	-	6	6	-	-	-
General vehicles	-	-	1 327	-	-	-	-	-	-
Plant & equipment	-	-	-	-	-	-	-	-	-
Computers - hardware/equipment	4	-	-	-	-	-	-	-	-
Furniture and other office equipment	237	95	6	-	6	6	-	-	-
Other Buildings	22	-	-	-	-	-	-	-	-
Other	-	89	9	-	-	-	-	-	-
<u>Agricultural assets</u>	-	-	-	-	-	-	-	-	-
<u>Biological assets</u>	-	-	-	-	-	-	-	-	-
<u>Intangibles</u>	-	-	-	-	-	-	-	-	-
Total Capital Expenditure on renewal of existing assets	4 898	7 043	7 749	400	461	461	1 608	-	-

Table 60 MBRR SA34c - Repairs and maintenance expenditure by asset class

Description / R thousand	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Repairs and maintenance expenditure by Asset Class/Sub-class									
Infrastructure	1 941	2 567	2 176	6 012	2 644	2 644	7 885	8 358	8 860
Infrastructure - Road transport	547	478	570	963	-	-	1 032	1 094	1 159
Roads, Pavements & Bridges	547	478	570	963	-	-	1 032	1 094	1 159
Storm water	-	-	-	-	-	-	-	-	-
Infrastructure - Electricity	779	1 387	521	1 883	1 820	1 820	3 201	3 393	3 596
Transmission & Reticulation	779	1 387	521	1 883	1 820	1 820	3 201	3 393	3 596
Dams & Reservoirs	-	-	-	-	-	-	-	-	-
Infrastructure - Water	510	611	743	1 778	825	825	1 980	2 099	2 225
Reticulation	510	611	743	1 778	825	825	1 980	2 099	2 225
Infrastructure - Sanitation	69	71	335	1 349	-	-	1 635	1 733	1 837
Reticulation	-	-	-	-	-	-	176	186	197
Sewerage purification	69	71	335	1 349	-	-	1 460	1 547	1 640
Infrastructure - Other	35	20	7	38	-	-	38	40	42
Waste Management	-	-	-	38	-	-	38	40	42
Other	35	20	7	-	-	-	-	-	-
Community	435	418	301	2 001	-	-	1 486	1 575	1 669
Parks & gardens	160	157	170	-	-	-	284	301	320
Sportsfields & stadia	145	140	78	1 154	-	-	218	232	245
Swimming pools	-	-	-	-	-	-	126	133	141
Libraries	-	-	-	45	-	-	38	40	43
Recreational facilities	121	114	50	-	-	-	471	499	529
Fire, safety & emergency	-	-	-	244	-	-	257	273	289
Security and policing	-	-	-	-	-	-	40	42	45
Clinics	-	-	-	25	-	-	25	27	28
Cemeteries	-	-	-	27	-	-	26	28	30
Other	8	7	3	507	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-
Other assets	8 280	9 650	8 082	9 165	14 700	14 700	9 377	9 940	10 536
General vehicles	4 786	6 098	5 010	6 202	8 144	8 144	5 820	6 169	6 539
Plant & equipment	1 025	974	1 557	-	1 472	1 472	465	493	523
Computers - hardware/equipment	-	-	-	1 481	-	-	1 169	1 239	1 313
Other Buildings	2 062	1 932	1 057	739	1 841	1 841	1 127	1 195	1 266
Other Land	-	-	-	744	-	-	-	-	-
Other	406	646	457	-	3 243	3 243	796	843	894
Agricultural assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Intangibles	-	-	-	-	-	-	-	-	-
Total Repairs and Maintenance Expenditure	10 655	12 636	10 559	17 178	17 345	17 345	18 748	19 873	21 065

Table 61 MBRR SA35 - Future financial implications of the capital budget

Description / R thousand	2015/16 Medium Term Revenue & Expenditure Framework			Forecasts			
	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Present value
Capital expenditure							
Vote 1 - MUNICIPAL MANAGER	1 500	1 500	1 500				
Vote 2 - CORPORATE SERVICES	-	-	-				
Vote 3 - FINANCIAL SERVICES	-	-	-				
Vote 4 - COMMUNITY SERVICES	16 318	2 881	1 074				
Vote 5 - TECHNICAL DIRECTOR	-	-	-				
Vote 6 - ELECTRO MECHANICAL SERVICES	13 666	5 959	2 383				
Vote 7 - CIVIL ENGINEERING SERVICES	3 467	12 226	19 323				
Vote 8 - DEVELOPMENT AND PLANNING SERVICES	-	-	-				
Total Capital Expenditure	34 951	22 566	24 280	-	-	-	-
Future operational costs by vote							
Total future operational costs	-	-	-	-	-	-	-
Future revenue by source							
Total future revenue	-	-	-	-	-	-	-
Net Financial Implications	34 951	22 566	24 280	-	-	-	-

Table 62 MBRR SA36 - Detailed capital budget per municipal vote

Municipal Vote/Capital project	Program/Project description	IDP Goal code	Individually Approved (Yes/No)	Asset Class	Asset Sub-Class	Total Project Estimate	Prior year outcomes		2015/16 Medium Term Revenue & Expenditure Framework		
							Audited Outcome 2013/14	Current Year 2014/15 Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
Parent municipality:											
Municipal Manager											
0002: Municipal Council	Wyk 04: Kantoorgebou vir raadslid / wykkomitee	F	No	Other Assets	Other Buildings	24	–	24	–	–	–
0002: Municipal Council	Wyk 13: Kantoorgebou vir raadslid / wykkomitee	F	No	Other Assets	Other Buildings	10	–	10	–	–	–
0002: Municipal Council	Digital Locks	F	No	Other Assets	Furniture and other office equipment	11	–	11	–	–	–
0002: Municipal Council	4 x Cluster Units	F	No	Other Assets	Furniture and other office equipment	11	–	11	–	–	–
0002: Municipal Council	4 x Drawer Pedestal	F	No	Other Assets	Furniture and other office equipment	7	–	7	–	–	–
0002: Municipal Council	5 x Typist Chair	F	No	Other Assets	Furniture and other office equipment	4	–	4	–	–	–
0002: Municipal Council	Samsung 43 Inch Television (Mayor)	F	No	Other Assets	Furniture and other office equipment	5	–	5	–	–	–
0002: Municipal Council	Urn (Mayor)	F	No	Other Assets	Furniture and other office equipment	1	–	1	–	–	–
0002: Municipal Council	Water Dispenser (Mayor)	F	No	Other Assets	Furniture and other office equipment	2	–	2	–	–	–
0002: Municipal Council	Ward 9: Park in Keidebees	F	No	Community	Establishment of Parks and Gardens	25	25	–	–	–	–
0002: Municipal Council	Ward 8: Development of Park at Diedrick Flats	F	No	Community	Establishment of Parks and Gardens	49	49	–	–	–	–
0002: Municipal Council	Beveiliging van Straatgang na Duineveld	F	No	Infrastructure - Road transport	Roads, Pavements & Bridges	18	18	–	–	–	–
0002: Municipal Council	Wyk 6: Aanbring van Spoedhobbels by Weston- en Omegastraat	F	No	Infrastructure - Road transport	Roads, Pavements & Bridges	24	24	–	–	–	–
0002: Municipal Council	Wyk 9: Creation of acres and paving in Aubrey Beukes Avenue	F	No	Infrastructure - Road transport	Roads, Pavements & Bridges	9	9	–	–	–	–
0002: Municipal Council	20 x Chairs for councillors' offices	F	No	Other Assets	Furniture and other office equipment	8	8	–	–	–	–
0002: Municipal Council	Conference Table	F	No	Other Assets	Furniture and other office equipment	12	12	–	–	–	–
0002: Municipal Council	Ward 2: Office Building for Councillor	F	No	Other Assets	Other Buildings	99	99	–	–	–	–
0002: Municipal Council	Ward 4: Office Building for Councilor	F	No	Other Assets	Other Buildings	157	157	–	–	–	–
0002: Municipal Council	Ward 7: Office Building for Councilor	F	No	Other Assets	Other Buildings	31	31	–	–	–	–
0002: Municipal Council	Ward 11: Office Building for Councilor	F	No	Other Assets	Other Buildings	27	27	–	–	–	–
0002: Municipal Council	Ward 13: Office Building for Councilor	F	No	Other Assets	Other Buildings	203	203	–	–	–	–
0002: Municipal Council	Ward 1: ND Swartz Building	F	No	Other Assets	Other Buildings	95	95	–	–	–	–
0002: Municipal Council	Ward 12: Purchase of Portion 348 (Farm Moorivier)	F	No	Other Assets	Other Land	270	270	–	–	–	–
0008: Communications	Decoder for Big Screen		No	Other Assets	Furniture and other office equipment	0	0	–	–	–	–
0011: Municipal Manager	Samsung Galaxy Note 10.1 Tab	E	No	Other Assets	Computers - hardware/equipment	8	–	8	–	–	–
0011: Municipal Manager	Unallocated Assets	E	No	Other Assets	Other	4 640	–	140	1 500	1 500	1 500
0032: Internal Audit	Office Chair - Snr Manager Internal Audit	E	No	Other Assets	Furniture and other office equipment	1	–	1	–	–	–
Corporate Services											
0001: Administration	Vacuum Cleaner	F	No	Other Assets	Furniture and other office equipment	7	–	7	–	–	–
0001: Administration	Vacuum Cleaner	F	No	Other Assets	Furniture and other office equipment	7	–	7	–	–	–
0001: Administration	Additional Office Buildings (Head Office)	F	No	Other Assets	Other Buildings	966	966	–	–	–	–
0004: Property Services	Aanbring van veiligheidsskermers op dak	F	No	Other Assets	Other Buildings	41	41	–	–	–	–
0033: Information Technology	Netwerkkommunikasie na derde party punte	F	No	Other Assets	Computers - hardware/equipment	315	15	300	–	–	–
0033: Information Technology	Laser Printer (MIG Grant)	F	No	Other Assets	Furniture and other office equipment	22	7	15	–	–	–
0033: Information Technology	Meter Reading Software	F	No	Other Assets	Furniture and other office equipment	75	–	75	–	–	–
0033: Information Technology	OKI ML 3321 Dot Matrix Printer (SCM)	F	No	Other Assets	Furniture and other office equipment	7	–	7	–	–	–

Table 62 MBRR 36: Detailed capital budget per municipal vote (continued)

Municipal Vote/Capital project	Program/Project description	IDP Goal code	Individually Approved (Yes/No)	Asset Class	Asset Sub-Class	Total Project Estimate	Prior year outcomes		2015/16 Medium Term Revenue & Expenditure Framework		
							Audited Outcome 2013/14	Current Year 2014/15 Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
Parent municipality:											
0033: Information Technology	3 x OKI ML1120 Elite Printers	F	No	Other Assets	Furniture and other office equipment	5	–	5	–	–	–
0033: Information Technology	3 x Posiflex Thermal Slip Printer (Vendors)	F	No	Other Assets	Furniture and other office equipment	4	–	4	–	–	–
0033: Information Technology	6 x Laptops (SCM unit)	F	No	Other Assets	Computers - hardware/equipment	47	–	47	–	–	–
0033: Information Technology	Kyocera Multi Function Printer (SCM)	F	No	Other Assets	Furniture and other office equipment	54	–	54	–	–	–
0033: Information Technology	25 x Laptops (Councillors)	F	No	Other Assets	Computers - hardware/equipment	165	–	165	–	–	–
0033: Information Technology	Backup System	F	No	Other Assets	Computers - hardware/equipment	1	1	–	–	–	–
0033: Information Technology	Postflex Printer					2	2	–	–	–	–
0033: Information Technology	HP Laser Printer	F	No	Other Assets	Furniture and other office equipment	4	4	–	–	–	–
0033: Information Technology	Backup System	F	No	Other Assets	Furniture and other office equipment	1	1	–	–	–	–
0033: Information Technology	Laser Printer	F	No	Other Assets	Furniture and other office equipment	1	1	–	–	–	–
0037: Director Community Services	WD Element 500GB USB	F	No	Other Assets	Computers - hardware/equipment	1	1	–	–	–	–
Financial Services											
0007: Financial Services	Highback Chair (CFO)	D	No	Other Assets	Furniture and other office equipment	1	–	1	–	–	–
0007: Financial Services	Punch Rexel	D	No	Other Assets	Furniture and other office equipment	4	–	4	–	–	–
0007: Financial Services	8 x high back chairs (SCM)		No	Other Assets	Furniture and other office equipment	7	7	–	–	–	–
0007: Financial Services	Rekeningsdrukker		No	Other Assets	Furniture and other office equipment	117	117	–	–	–	–
0007: Financial Services	8 x Cluster Units	D	No	Other Assets	Furniture and other office equipment	17	–	17	–	–	–
0007: Financial Services	8 x Pedestals	D	No	Other Assets	Furniture and other office equipment	9	–	9	–	–	–
0007: Financial Services	Installation of Electrical Gate	D	No	Other Assets	Furniture and other office equipment	16	–	16	–	–	–
0007: Financial Services	Data Logger			Intangible Assets	Computers - Software	30	30	–	–	–	–
Community Services											
0020: Traffic Services	Road Signs in Various Areas	F	No	Infrastructure - Road transport	Roads, Pavements & Bridges	50	–	50	–	–	–
0020: Traffic Services	3 x Two Way Hand Radio's	F	No	Other Assets	Plant & equipment	8	–	8	–	–	–
0020: Traffic Services	7 x Calculator - Casio FR2650T	F	No	Other Assets	Furniture and other office equipment	6	–	6	–	–	–
0020: Traffic Services	TSC Server		No	Other Assets	Computers - hardware/equipment	20	20	–	–	–	–
0026: Sanitation Services	2 x Industrial Washing Machine	F	No	Other Assets	Plant & equipment	44	–	44	–	–	–
0026: Sanitation Services	2 x Fridge	F	No	Other Assets	Furniture and other office equipment	10	–	10	–	–	–
0027: Refuse Removal Services	5 x Refuse Removal Wagens	B	No	Other Assets	Plant & equipment	15	–	15	–	–	–
0027: Refuse Removal Services	5 x Two Way Hand Radios'	B	No	Other Assets	Plant & equipment	12	–	12	–	–	–
0027: Refuse Removal Services	2 x Laksmeter Termometer	B	No	Other Assets	Plant & equipment	2	–	2	–	–	–
0050: Parks	Fencing of Park: Leseding	F	No	Community	Parks & gardens	56	–	56	–	–	–
0050: Parks	Parks development	F	No	Community	Parks & gardens	17 069	3 697	–	9 417	2 881	1 074
0050: Parks	2 x Zero Turn Movers	F	No	Community	Parks & gardens	145	145	–	–	–	–
0055: Sport Grounds	Community Sport Facility	F	No	Community	Sportsfields & stadia	4 053	4 053	–	–	–	–
0055: Sport Grounds	Community Sport Facility: SFC Programme Dakota	F	No	Community	Sportsfields & stadia	32	–	32	–	–	–

Table 62 MBRR SA36: Detailed capital budget per municipal vote (continued)

Municipal Vote/Capital project	Program/Project description	IDP Goal code	Individually Approved (Yes/No)	Asset Class	Asset Sub-Class	Total Project Estimate	Prior year outcomes		2015/16 Medium Term Revenue & Expenditure Framework		
							Audited Outcome 2013/14	Current Year 2014/15 Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
Parent municipality:											
0055: Sport Grounds	Community Sport Facility: SFC Programme L / dorp	F	No	Community	Sportsfields & stadia	511	–	511	–	–	–
0055: Sport Grounds	Community Sport Facility: SFC Programme Paballelo	F	No	Community	Sportsfields & stadia	1 376	–	1 376	–	–	–
0055: Sport Grounds	Community Sport Facility: SFC Programme Raaswater	F	No	Community	Sportsfields & stadia	1 219	–	1 219	–	–	–
0055: Sport Grounds	Community Sport Facility: SFC Programme Rainbow	F	No	Community	Sportsfields & stadia	221	–	221	–	–	–
0055: Sport Grounds	Community Sport Facility: SFC Programme Rosedale	F	No	Community	Sportsfields & stadia	314	–	314	–	–	–
0055: Sport Grounds	Development of New Sportground: Lambrechtsdriif	F	No	Community	Sportsfields & stadia	792	754	38	–	–	–
0055: Sport Grounds	Development of New Sportground: Louisvale Dorp	F	No	Community	Sportsfields & stadia	864	625	239	–	–	–
0055: Sport Grounds	Upgrading - Kalksloot & Karos Sport Grounds (Lotto)	F	No	Community	Sportsfields & stadia	573	565	8	–	–	–
0055: Sport Grounds	Develop new sport grounds	F	No	Community	Sportsfields & stadia	7 604	703	–	6 901	–	–
0057: Reits Park	24" Hisense LED TV Set	F	No	Other Assets	Furniture and other office equipment	2	2	–	–	–	–
0057: Reits Park	32" Hisense LED TV Set	F	No	Other Assets	Furniture and other office equipment	3	3	–	–	–	–
1004: Masincedane Library Project	Blinds (Forum)	F	No	Other Assets	Furniture and other office equipment	21	–	21	–	–	–
1004: Masincedane Library Project	Chairs	F	No	Other Assets	Furniture and other office equipment	1	–	1	–	–	–
1004: Masincedane Library Project	Copy Maschine	F	No	Other Assets	Furniture and other office equipment	36	–	36	–	–	–
1004: Masincedane Library Project	Curtains (Forum Library)	F	No	Other Assets	Furniture and other office equipment	7	–	7	–	–	–
1004: Masincedane Library Project	Display Case (Paballelo)	F	No	Other Assets	Furniture and other office equipment	3	–	3	–	–	–
1004: Masincedane Library Project	Display Shelve for Magazines (Forum)	F	No	Other Assets	Furniture and other office equipment	2	–	2	–	–	–
1004: Masincedane Library Project	Electrical Work at Forum Library	F	No	Other Assets	Furniture and other office equipment	110	–	110	–	–	–
1004: Masincedane Library Project	File Cabinets	F	No	Other Assets	Furniture and other office equipment	6	–	6	–	–	–
1004: Masincedane Library Project	File Cabinets	F	No	Other Assets	Furniture and other office equipment	3	–	3	–	–	–
1004: Masincedane Library Project	Guillotine	F	No	Other Assets	Furniture and other office equipment	1	–	1	–	–	–
1004: Masincedane Library Project	Improve Containers libraries	F	No	Other Assets	Furniture and other office equipment	80	–	80	–	–	–
1004: Masincedane Library Project	3 x Laminators	F	No	Other Assets	Furniture and other office equipment	3	–	3	–	–	–
1004: Masincedane Library Project	10 x Open Shelves	F	No	Other Assets	Furniture and other office equipment	7	–	7	–	–	–
1004: Masincedane Library Project	8 x School Desks (Rosedale)	F	No	Other Assets	Furniture and other office equipment	3	–	3	–	–	–
1004: Masincedane Library Project	4 x Step Ladders	F	No	Other Assets	Furniture and other office equipment	1	–	1	–	–	–
1004: Masincedane Library Project	4 x Hisense 32 Inch TV's	F	No	Other Assets	Furniture and other office equipment	9	–	9	–	–	–
1004: Masincedane Library Project	4 x DSTV	F	No	Other Assets	Furniture and other office equipment	2	–	2	–	–	–
1004: Masincedane Library Project	Study Tables	F	No	Other Assets	Furniture and other office equipment	1	–	1	–	–	–
1004: Masincedane Library Project	Home Theatre	F	No	Other Assets	Furniture and other office equipment	1	1	–	–	–	–
1004: Masincedane Library Project	Unallocated Assets (Library Grant)	F	No	Other Assets	Furniture and other office equipment	247	–	247	–	–	–
Eletrical and Mechanical Services											
0042: Workshop	Improvement of Workshop	F	No	Other Assets	Other Buildings	1 526	1 226	–	300	–	–
0046: Transport	Stl Palm Cutter	F	No	Other Assets	Plant & equipment	7	–	7	–	–	–
0046: Transport	Stl Pruner High Rise	F	No	Other Assets	Plant & equipment	8	–	8	–	–	–
0046: Transport	Stl Chain Saw	F	No	Other Assets	Plant & equipment	6	–	6	–	–	–
0046: Transport	1.6 500kg LAW Voldeur kappie (0025)	F	No	Other Assets	General Vehicles	121	121	–	–	–	–
0046: Transport	2 Ton Crew Cab Trok met Drarak (0048)	F	No	Other Assets	General Vehicles	1 485	1 485	–	–	–	–
0046: Transport	2 Ton Crew Cab Trok met Drarak (0067)	F	No	Other Assets	General Vehicles	371	371	–	–	–	–

Table 62 MBRR SA36: Detailed capital budget per municipal vote (continued)

Municipal Vote/Capital project	Program/Project description	IDP Goal code	Individually Approved (Yes/No)	Asset Class	Asset Sub-Class	Total Project Estimate	Prior year outcomes		2015/16 Medium Term Revenue & Expenditure Framework		
							Audited Outcome 2013/14	Current Year 2014/15 Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Parent municipality:											
0046: Transport	500 kg LAW	F	No	Other Assets	General Vehicles	113	113	-	-	-	-
0046: Transport	7000 L Vacuum Tanker (0028)	F	No	Other Assets	General Vehicles	955	955	-	-	-	-
0046: Transport	Zero Turn Mover	F	No	Other Assets	Plant & equipment	73	73	-	-	-	-
0046: Transport	Mobile Kraan	F	No	Other Assets	Plant & equipment	898	898	-	-	-	-
0059: Electricity Administration	Electrical Services for CTHC Development	B	No	Infrastructure - Electricity	Transmission & Reticulation	429	129	300	-	-	-
0059: Electricity Administration	Electrification projects of new Developments. 350 Connections in Rosedale (North)	B	No	Infrastructure - Electricity	Transmission & Reticulation	1 065	783	282	-	-	-
0059: Electricity Administration	Electrification projects of new Developments. 375 Connections In Paballelo	B	No	Infrastructure - Electricity	Transmission & Reticulation	6 716	5 657	1 059	-	-	-
0059: Electricity Administration	Electrification projects of new Developments. 324 Connections in Smartie Valley	B	No	Infrastructure - Electricity	Transmission & Reticulation	4 882	3 803	1 080	-	-	-
0059: Electricity Administration	Nuwe Vooruitbetaalmeters	B	No	Infrastructure - Electricity	Transmission & Reticulation	28	-	28	-	-	-
0059: Electricity Administration	Opgradeer van hoofbevoernetwerk	B	No	Infrastructure - Electricity	Transmission & Reticulation	213	-	213	-	-	-
0059: Electricity Administration	Vooruitbetaalmeters (Hulpbehoewendes)	B	No	Infrastructure - Electricity	Transmission & Reticulation	27	4	23	-	-	-
0059: Electricity Administration	Electrification of 314 Houses in Dakota North	B	No	Infrastructure - Electricity	Transmission & Reticulation	6 846	-	-	2 846	1 617	2 383
0059: Electricity Administration	2 x Makita Boor	B	No	Other Assets	Plant & equipment	5	-	5	-	-	-
0059: Electricity Administration	7 x Electricity Connections	B	No	Infrastructure - Electricity	Transmission & Reticulation	108	-	108	-	-	-
0059: Electricity Administration	Electrification of 455 Houses in Rosedale West	B	No	Infrastructure - Electricity	Transmission & Reticulation	8 463	-	-	8 463	-	-
0059: Electricity Administration	Electrification of 791 Houses in Various Areas	B	No	Infrastructure - Electricity	Transmission & Reticulation	-	-	-	-	-	-
0059: Electricity Administration	Electrification of 200 Houses in Rosedale West	B	No	Infrastructure - Electricity	Transmission & Reticulation	4 495	-	4 495	-	-	-
0059: Electricity Administration	Electrification of 89 Houses in Louisvale	B	No	Infrastructure - Electricity	Transmission & Reticulation	1 383	-	1 383	-	-	-
0059: Electricity Administration	Equipment for Monitoring of Supply Quality	B	No	Infrastructure - Electricity	Transmission & Reticulation	400	-	-	400	-	-
0059: Electricity Administration	Installation of High Mast Lighting	B	No	Infrastructure - Electricity	Transmission & Reticulation	4 342	-	-	-	4 342	-
0059: Electricity Administration	New Pre-Paid Electricity Meters	B	No	Infrastructure - Electricity	Transmission & Reticulation	25	-	-	25	-	-
0059: Electricity Administration	Pre-Paid Electricity Meters for Indigent	B	No	Infrastructure - Electricity	Transmission & Reticulation	25	-	-	25	-	-
0059: Electricity Administration	Registered Consumers	B	No	Infrastructure - Electricity	Transmission & Reticulation	25	-	-	25	-	-
0059: Electricity Administration	Upgrade of Main Supply Network - Connection to Delta	B	No	Infrastructure - Electricity	Transmission & Reticulation	1 408	-	-	1 408	-	-
0059: Electricity Administration	Upgrading of Networks	B	No	Infrastructure - Electricity	Transmission & Reticulation	206	6	-	200	-	-
0059: Electricity Administration	11kV feeder from Charlie substation to CS2	B	No	Infrastructure - Electricity	Transmission & Reticulation	167	167	-	-	-	-
0059: Electricity Administration	Electrification of 125 Houses	B	No	Infrastructure - Electricity	Transmission & Reticulation	133	133	-	-	-	-
0059: Electricity Administration	Electrification of 150 Houses	B	No	Infrastructure - Electricity	Transmission & Reticulation	1 366	1 366	-	-	-	-
0059: Electricity Administration	Electrification of 475 Houses	B	No	Infrastructure - Electricity	Transmission & Reticulation	1 331	1 331	-	-	-	-
0059: Electricity Administration	Electrification of 81 Houses (Upington 26 / MKMVA)	B	No	Infrastructure - Electricity	Transmission & Reticulation	136	136	-	-	-	-
0059: Electricity Administration	2 x Transformers	B	No	Infrastructure - Electricity	Transmission & Reticulation	43	43	-	-	-	-
Civil Engineering Services											
0041: Streets and Storm water drainage	Connection road between Rosedale and Paballelo	B	No	Infrastructure - Road transport	Roads, Pavements & Bridges	23 789	17 789	6 000	-	-	-
0041: Streets and Storm water drainage	Improvement of Road Safety of Schröder Street	B	No	Infrastructure - Road transport	Roads, Pavements & Bridges	3 861	1 637	2 225	-	-	-
0041: Streets and Storm water drainage	Paving of Streets and Upgrading of Storm Water in Smartie Valley - Rosedale	B	No	Infrastructure - Road transport	Roads, Pavements & Bridges	3 620	678	2 942	-	-	-
0041: Streets and Storm water drainage	Resealing of street (Phase 3)	B	No	Infrastructure - Road transport	Roads, Pavements & Bridges	5 965	5 866	99	-	-	-
0041: Streets and Storm water drainage	Bou van kanbor by Strale en Stormwater	B	No	Other Assets	Other Buildings	16	0	16	-	-	-
0041: Streets and Storm water drainage	Kalksloot Access Road	B	No	Infrastructure - Road transport	Roads, Pavements & Bridges	1 248	946	20	282	-	-
0041: Streets and Storm water drainage	Leseding Access Road	B	No	Infrastructure - Road transport	Roads, Pavements & Bridges	949	11	-	939	-	-

Table 62 MBRR SA36: Detailed capital budget per municipal vote (continued)

Municipal Vote/Capital project	Program/Project description	IDP Goal code	Individually Approved (Yes/No)	Asset Class	Asset Sub-Class	Total Project Estimate	Prior year outcomes		2015/16 Medium Term Revenue & Expenditure Framework		
							Audited Outcome 2013/14	Current Year 2014/15 Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
Parent municipality:											
0041: Streets and Storm water drainage	Raaswater Access Road	B	No	Infrastructure - Road transport	Roads, Pavements & Bridges	958	454	-	504	-	-
0041: Streets and Storm water drainage	Louisvale Dorp Access Road	B	No	Infrastructure - Road transport	Roads, Pavements & Bridges	268	268	-	-	-	-
0041: Streets and Storm water drainage	Paving of streets in Paballelo	B	No	Infrastructure - Road transport	Roads, Pavements & Bridges	669	669	-	-	-	-
0041: Streets and Storm water drainage	Second entrance to Paballelo	B	No	Infrastructure - Road transport	Roads, Pavements & Bridges	(9)	(9)	-	-	-	-
0041: Streets and Storm water drainage	Airconditioner	B	No	Other Assets	Furniture and other office equipment	6	6	-	-	-	-
0041: Streets and Storm water drainage	Steenbreker	B	No	Other Assets	Plant & equipment	39	39	-	-	-	-
0045: Sewerage Purification Plant	Vervanging en herstel van Chloor Sisteem	B	No	Infrastructure - Sanitation	Sewerage purification	318	-	318	-	-	-
	Vervang Uitgediende Pompe, Skakeltuig,										
0045: Sewerage Purification Plant	Kleppe	B	No	Infrastructure - Sanitation	Sewerage purification	273	234	39	-	-	-
0045: Sewerage Purification Plant	Avalanche Fiets	B	No	Other Assets	Plant & equipment	3	3	-	-	-	-
	Louisvale Road - Upgrading of Oxidation ponds										
0045: Sewerage Purification Plant		B	No	Infrastructure - Sanitation	Reticulation	5 476	-	5 476	-	-	-
0045: Sewerage Purification Plant	Motor for Electrical Gate	B	No	Other Assets	Other Buildings	5	-	5	-	-	-
0045: Sewerage Purification Plant	2 x Prosonic S FMU90 Pump Control	B	No	Other Assets	Plant & equipment	23	-	23	-	-	-
0045: Sewerage Purification Plant	Bio Filter Number 3	B	No	Infrastructure - Sanitation	Reticulation	133	-	133	-	-	-
0048: Sewerage Distribution Networks	Enlarge main sewerage drainage line	B	No	Infrastructure - Sanitation	Reticulation	9 497	9 247	250	-	-	-
	Upgrade Main Sewerage Line (Dawid Street, Pab)										
0048: Sewerage Distribution Networks		B	No	Infrastructure - Sanitation	Reticulation	15	15	-	-	-	-
	Construction of Water Services in Various Areas										
0048: Sewerage Distribution Networks		B	No	Infrastructure - Sanitation	Reticulation	1 843	-	1 843	-	-	-
	Extension of Kameelmond Sewerage Works										
0066: Water Production		B	No	Infrastructure - Sanitation	Reticulation	26 049	-	-	-	6 726	19 323
	Bou van muur van maak van plot	B	No	Infrastructure - Water	Reticulation	288	-	288	-	-	-
	Installation of Telemetry System - Various Places										
0066: Water Production		B	No	Infrastructure - Water	Reticulation	626	-	626	-	-	-
0066: Water Production	7 x Step Ladders	B	No	Other Assets	Plant & equipment	6	-	6	-	-	-
0066: Water Production	Kalahari Pump Station	B	No	Infrastructure - Water	Reticulation	52	-	52	-	-	-
0066: Water Production	A H September Water Treatment Works	B	No	Infrastructure - Water	Reticulation	26 079	2 031	24 048	-	-	-
0066: Water Production	Hek	B	No	Infrastructure - Water	Reticulation	1	1	-	-	-	-
0066: Water Production	Omheining	B	No	Infrastructure - Water	Reticulation	20	20	-	-	-	-
0066: Water Production	Opgradering van watersisteme	B	No	Infrastructure - Water	Reticulation	287	287	-	-	-	-
0066: Water Production	Rouwaterpomp by waterwerke	B	No	Infrastructure - Water	Reticulation	870	870	-	-	-	-
	Vervang Uitgediende Pompe, Skakeltuig, Kleppe										
0066: Water Production		B	No	Infrastructure - Water	Reticulation	6	6	-	-	-	-
	Civil Services Infrastructure for CTHC Project										
0067: Water Distribution		B	No	Infrastructure - Water	Reticulation	15 718	15 018	700	-	-	-
0067: Water Distribution	Install Water Meters (Pab, R/Dale & L/W)	B	No	Infrastructure - Water	Reticulation	2 229	689	765	775	-	-
0067: Water Distribution	Water Connections (425 Erwe Paballelo)	B	No	Infrastructure - Water	Reticulation	5 763	4 613	1 150	-	-	-
0067: Water Distribution	Civil Services - 6667 Erven	B	No	Infrastructure - Water	Reticulation	6 948	1 796	5 152	-	-	-
0067: Water Distribution	Provide water on occupied residential sites	B	No	Infrastructure - Water	Reticulation	121	121	-	-	-	-
	Acquisition and installation of bulk meters and loggers										
0067: Water Distribution		B	No	Infrastructure - Water	Reticulation	1 491	-	1 491	-	-	-
0067: Water Distribution	Installation of Water Meters	B	No	Infrastructure - Water	Reticulation	1 768	-	890	877	-	-
0067: Water Distribution	Installation of Water Meters (Phase 2)	B	No	Infrastructure - Water	Reticulation	5 500	-	-	-	5 500	-
0067: Water Distribution	Office at Water Distribution	B	No	Other Assets	Other Buildings	91	-	-	91	-	-
	Logger vir meet van waterdrukke en vloeiensnelhede										
1018: Water Projects		B	No	Other Assets	Furniture and other office equipment	83	83	-	-	-	-

Table 62 MBRR SA36: Detailed capital budget per municipal vote (continued)

NC083 //Khara Hais - Supporting Table SA36 Detailed capital budget

Municipal Vote/Capital project R thousand	Program/Project description	IDP Goal code	Individually Approved (Yes/No)	Asset Class	Asset Sub-Class	Total Project Estimate	Prior year outcomes		2015/16 Medium Term Revenue & Expenditure Framework		
							Audited Outcome 2013/14	Current Year 2014/15 Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Parent municipality:											
Planning and Development Services											
0031: Local Economic Development	Upgrade of Long Distance Taxi Rank	C	No	Infrastructure - Other	Transportation	503	20	483	-	-	-
0051: Eiland Resort	DSTV Decoders	C	No	Other Assets	Furniture and other office equipment	8	2	6	-	-	-
0051: Eiland Resort	4 x Airconditioners	C	No	Other Assets	Furniture and other office equipment	29		29	-	-	-
Parent Capital expenditure						246 526	94 997	69 732	34 951	22 566	24 280
Entities:											
Entity Capital expenditure							-	-	-	-	-
Total Capital expenditure							94 997	69 732	34 951	22 566	24 280

2.13 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting
Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Mayor (within 10 working days) has progressively improved.
2. Internship programme
The municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department. Four of the five will complete their two year contract on 31 March 2016. Since the introduction of the Internship programme the municipality has successfully employed and trained four other interns through this programme and all of them were appointed in the municipality.
3. Budget and Treasury Office
The Budget and Treasury Office has been established in accordance with the MFMA.
4. Audit Committee
An Audit Committee has been established and is fully functional.
5. Service Delivery and Implementation Plan
The detail SDBIP document is at a final stage and will be tabled to Council on the 31th of March 2015. The SDBIP is directly aligned and informed by the 2014/2015 MTREF.
6. Annual Report
Annual report is compiled in terms of the MFMA and National Treasury requirements.
7. MFMA Training
The MFMA training module in electronic format is presented at the municipality's internal centre and training is on-going.

8. Policies

An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009 was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.

2.14 Other supporting documents

Table 63 MBRR Table SA1 - Supporting detail to budgeted financial performance

Description / R thousand	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
REVENUE ITEMS:									
<u>Property rates</u>									
Total Property Rates	43 340	50 437	61 003	67 785	77 502	77 502	82 925	88 730	94 941
less Revenue Foregone	2 098	2 051	2 138	2 370	6 950	6 950	7 437	7 958	8 515
Net Property Rates	41 242	48 386	58 865	65 416	70 552	70 552	75 488	80 772	86 426
<u>Service charges - electricity revenue</u>									
Total Service charges - electricity revenue	159 821	178 815	207 548	221 832	218 456	218 456	247 425	262 271	278 007
less Revenue Foregone	-	-	-	-	-	-	-	-	-
Net Service charges - electricity revenue	159 821	178 815	207 548	221 832	218 456	218 456	247 425	262 271	278 007
<u>Service charges - water revenue</u>									
Total Service charges - water revenue	33 973	39 027	44 483	47 378	45 228	45 228	48 709	52 164	55 863
less Revenue Foregone	-	-	-	-	-	-	-	-	-
Net Service charges - water revenue	33 973	39 027	44 483	47 378	45 228	45 228	48 709	52 164	55 863
<u>Service charges - sanitation revenue</u>									
Total Service charges - sanitation revenue	22 969	25 249	27 782	28 725	28 727	28 727	30 739	32 892	35 195
less Revenue Foregone	-	-	-	-	-	-	-	-	-
Net Service charges - sanitation revenue	22 969	25 249	27 782	28 725	28 727	28 727	30 739	32 892	35 195
<u>Service charges - refuse revenue</u>									
Total refuse removal revenue	16 892	23 181	26 274	26 698	26 690	26 690	29 108	31 731	34 589
Total landfill revenue	-	-	-	-	-	-	-	-	-
less Revenue Foregone	-	-	-	-	-	-	-	-	-
Net Service charges - refuse revenue	16 892	23 181	26 274	26 698	26 690	26 690	29 108	31 731	34 589
<u>Other Revenue by source</u>									
Actuarial Gain	-	-	6 706	-	-	-	-	-	-
Application Sub-Division / Resoning	67	-	-	85	-	-	120	127	135
Commission	-	422	457	-	-	-	450	477	506
Consent Use Levy	-	-	2 909	2 000	2 000	2 000	2 200	2 332	2 472
Fair Value Adjustment	6 764	10 647	12 043	1 500	1 500	1 500	1 500	1 590	1 685
Graves	166	-	-	195	-	-	150	159	169
Income from housing agency services	-	563	648	-	1 250	1 250	1 250	1 325	1 405
Insurance Claims	385	441	679	200	-	-	500	530	562
LGSETA	-	-	-	380	212	212	250	265	281
Occupational Practise Levy	-	-	251	-	550	550	600	636	674
Other Revenue	1 164	4 387	2 243	2 930	1 976	1 976	1 609	1 705	1 808
Plan Fees	346	463	830	480	450	450	480	509	539
Recoverable Cost (Income)	131	-	-	271	-	-	-	-	-
Recovery Commission	309	-	-	444	-	-	-	-	-
Side Line Recoupment	169	186	205	191	191	191	210	223	236
Street Name Plate Compulsor	93	-	-	110	-	-	50	53	56
Sundry Income	71	-	-	96	-	-	-	-	-
Unauthorised / Deviated Usage	-	-	-	-	150	150	280	297	315
Vehicle Testing / Road Worthiness	405	-	-	456	-	-	-	-	-
Total 'Other' Revenue	10 070	17 109	26 972	9 338	8 279	8 279	9 649	10 228	10 841

Table 63 MBRR Table SA1 - Supporting detail to budgeted financial performance

Description / R thousand	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
EXPENDITURE ITEMS:									
Employee related costs									
Basic Salaries and Wages	111 409	141 628	149 835	149 050	151 078	151 078	162 515	173 836	185 948
Pension and UIF Contributions	17 999	20 934	22 677	24 023	22 823	22 823	24 421	26 131	27 960
Medical Aid Contributions	8 050	9 631	10 554	11 482	10 956	10 956	11 723	12 543	13 421
Overtime	7 555	8 447	12 100	13 737	11 764	11 764	12 601	13 483	14 427
Performance Bonus	446	428	500	885	750	750	803	859	919
Motor Vehicle Allowance	6 015	–	1 512	7 331	8 765	8 765	3 677	3 824	3 977
Housing Allowances	336	336	285	3 791	305	305	317	330	343
Other benefits and allowances	3 616	2 979	5 806	4 191	1 185	1 185	6 863	7 344	7 858
Long service awards	–	–	–	–	289	289	310	331	355
Post-retirement benefit obligations	2 409	–	–	2 219	–	–	–	–	–
<i>sub-total</i>	157 833	184 384	203 268	216 708	207 915	207 915	223 229	238 680	255 207
Less: Employees costs capitalised to PPE	569	3 863	3 829	4 952	1 755	1 755	1 878	2 010	2 150
Total Employee related costs	157 264	180 521	199 440	211 757	206 160	206 160	221 351	236 671	253 057
Contributions recognised - capital									
Total Contributions recognised - capital	–	–	–	–	–	–	–	–	–
Depreciation & asset impairment									
Depreciation of Property, Plant & Equipment	78 346	83 287	82 804	110 734	110 734	110 734	108 519	106 349	104 222
Capital asset impairment	912	3 559	11 709	–	–	–	–	–	–
Total Depreciation & asset impairment	79 259	86 846	94 513	110 734	110 734	110 734	108 519	106 349	104 222
Bulk purchases									
Electricity Bulk Purchases	101 577	120 912	133 061	145 341	145 341	145 341	170 000	190 740	214 010
Water Bulk Purchases	4 689	1 925	2 971	4 826	4 826	4 826	5 164	5 525	5 912
Total bulk purchases	106 266	122 837	136 032	150 167	150 167	150 167	175 164	196 265	219 922
Transfers and grants									
Cash transfers and grants	–	–	–	–	–	–	–	–	–
Non-cash transfers and grants	917	25 478	27 210	25 117	20 087	20 087	21 597	23 107	24 493
Total transfers and grants	917	25 478	27 210	25 117	20 087	20 087	21 597	23 107	24 493
Contracted services									
CCTV Equipment	98	–	–	135	–	–	–	–	–
Commission Paid	1 083	1 252	1 529	1 460	1 660	1 660	1 750	1 855	1 966
Legal Costs	1 810	1 483	1 214	2 215	1 830	1 830	2 050	2 173	2 303
Meter Reading Services	369	–	–	455	–	–	–	–	–
Other	–	1 976	1 188	–	2 823	2 823	2 774	2 941	3 117
Professional Fees	4 724	4 252	9 718	4 955	5 209	5 209	5 238	5 102	5 682
Professional Services	0	–	–	–	–	–	–	–	–
Programming Costs	389	–	–	594	–	–	–	–	–
PWC	–	312	2 096	2 080	1 975	1 975	–	–	–
Removal of Refuse - Ward Projects	165	–	–	640	–	–	–	–	–
Rental Housing Stock	–	5 977	–	–	–	–	–	–	–
Security Service External	225	–	–	39	–	–	–	–	–
Service Investigation	26	–	–	–	–	–	–	–	–
Settlement Agreements	–	–	–	350	–	–	–	–	–
Sewerage Network Master Plan	–	–	–	480	–	–	–	–	–
Storm Water Master Plan	556	–	–	50	–	–	50	53	56
Traffic Control Contracts	763	711	209	770	600	600	500	530	562
Water Distribution Master Plan	–	–	–	550	–	–	–	–	–
<i>sub-total</i>	10 209	15 962	15 954	14 773	14 097	14 097	12 363	12 654	13 687
Allocations to organs of state:	–	–	–	–	–	–	–	–	–
Total contracted services	10 209	15 962	15 954	14 773	14 097	14 097	12 363	12 654	13 687

Table 63 MBRR Table SA1 - Supporting detail to budgeted financial performance

Description / R thousand	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
EXPENDITURE ITEMS:									
Other Expenditure By Type									
Collection costs	194	196	155	230	170	170	230	244	258
Contributions to 'other' provisions	25 505	10 252	14 283	10 246	10 246	10 246	10 963	11 621	12 318
Audit fees	2 687	2 910	3 493	3 710	4 734	4 734	5 150	5 459	5 787
Actuarial Loss	2 421	1 266	–	1 000	1 000	1 000	1 000	1 060	1 124
Advertisement Costs	577	631	199	506	431	431	657	697	739
Auction Cost	–	–	–	5	–	–	–	–	–
Bank Charges	681	824	1 082	1 061	1 401	1 401	1 500	1 590	1 685
Black Plastic Bags	945	1 182	1 173	1 324	1 321	1 321	1 320	1 399	1 483
Chemicals/Fertilizers	2 035	2 115	2 183	2 503	2 436	2 436	2 615	2 772	2 938
Cleaning Material	–	574	559	–	635	635	723	767	813
Commission Paid	867	918	973	1 255	1 255	1 255	1 405	1 489	1 579
Cultural Festival	1 165	12	12	–	80	80	20	21	22
Entertainment Costs	440	211	63	191	329	329	309	328	347
Fuel & Oil	6 175	8 463	8 672	7 351	7 431	7 431	8 072	8 556	9 069
Indigent Subsidy	20 395	–	–	–	–	–	–	–	–
Insurance	1 355	1 524	2 064	2 050	1 875	1 875	2 150	2 279	2 416
Laboratorium Analysis	252	370	459	746	796	796	903	957	1 015
Land Valuations	–	–	–	–	200	200	200	212	225
Licence Fees	577	665	761	753	766	766	803	851	903
Membership Fees	366	2 975	2 133	1 807	1 788	1 788	2 048	2 171	2 301
Municipal Consumption	293	66	42	–	–	–	–	–	–
Other Expenditure	7 773	2 539	1 718	6 518	4 276	4 276	4 893	5 187	5 498
Operating Projects	507	983	1 394	8 832	5 582	5 582	6 021	3 685	5 254
Printing/Stationary	1 722	1 264	1 324	1 335	1 438	1 438	1 507	1 598	1 693
Protective Clothing	662	559	486	1 494	1 227	1 227	1 335	1 415	1 500
Rental: Machinery and Equipment	–	675	132	–	–	–	1 098	1 164	1 234
Repairs and Maintenance	10 655	12 636	10 559	17 178	17 345	17 345	18 748	19 873	21 065
Street Lightening	–	192	2 891	–	–	–	–	–	–
Subsistence & Travel Costs	3 019	2 141	1 065	1 307	1 421	1 421	1 728	1 831	1 941
Telephone/Postage	3 226	3 120	2 841	3 131	3 234	3 234	3 440	3 646	3 865
Training	1 745	1 917	666	2 445	1 246	1 246	1 596	1 691	1 793
Total 'Other' Expenditure	96 240	61 182	61 383	76 977	72 661	72 661	80 433	82 561	88 863
Repairs and Maintenance by Expenditure Item									
Other materials	10 655	12 636	10 559	17 178	17 345	17 345	18 748	19 873	21 065
Total Repairs and Maintenance Expenditure	10 655	12 636	10 559	17 178	17 345	17 345	18 748	19 873	21 065
Repairs and Maintenance by Expenditure Item									
Employee related costs	41 480	47 155	51 074	52 694	52 694	52 694	57 841	61 887	66 216
Transport Costs / Machine / Vehicle Hire	4 873	3 720	7 055	6 417	6 417	6 417	6 738	7 143	7 571
Contracted Services	960	96	986	950	950	950	1 200	1 272	1 348
Other Expenditure	6 768	9 277	11 890	11 148	11 148	11 148	11 349	12 030	12 751
Total Repairs and Maintenance Expenditure	54 081	60 248	71 005	71 209	71 209	71 209	77 128	82 331	87 887

**Table 64 MBRR Table SA2 – Matrix financial performance budget
(Revenue source / expenditure type and department)**

Description / R thousand	Vote 1 - MUNICIPAL MANAGER	Vote 2 - CORPORATE SERVICES	Vote 3 - FINANCIAL SERVICES	Vote 4 - DEVELOPMENT SERVICES	Vote 5 - TECHNICAL SERVICES	Vote 6 - Electro Mech Services	Vote 7 - Civil Engineering Services	Vote 8 - Development and Planning Services	Total
Revenue By Source									
Property rates	-	-	75 488	-	-	-	-	-	75 488
Service charges - electricity revenue	-	-	-	-	-	247 425	-	-	247 425
Service charges - water revenue	-	-	-	-	-	-	48 709	-	48 709
Service charges - sanitation revenue	-	-	-	-	-	-	30 739	-	30 739
Service charges - refuse revenue	-	-	-	29 108	-	-	-	-	29 108
Rental of facilities and equipment	-	1 803	-	1 060	-	-	-	6 658	9 521
Interest earned - external investments	-	-	600	-	-	-	-	-	600
Interest earned - outstanding debtors	-	-	2 400	-	-	-	-	-	2 400
Fines	-	-	-	431	-	-	-	-	431
Licences and permits	-	-	-	1 612	-	-	-	-	1 612
Agency services	-	-	-	3 450	-	-	-	-	3 450
Other revenue	-	320	2 619	823	-	329	265	5 293	9 649
Transfers recognised - operational	220	-	64 567	2 099	-	5 263	-	1 129	73 278
Gains on disposal of PPE	-	20 010	-	-	-	-	-	-	20 010
Total Revenue (excluding capital transfers and contributions)	220	22 133	145 674	38 584	-	253 017	79 713	13 080	552 421
Expenditure By Type									
Employee related costs	17 653	24 360	21 260	86 972	-	14 269	39 091	17 745	221 351
Remuneration of councillors	8 540	-	-	-	-	-	-	-	8 540
Debt impairment	-	-	2 000	-	-	-	-	-	2 000
Depreciation & asset impairment	293	3 215	488	11 057	-	20 445	71 116	1 903	108 519
Finance charges	-	-	1 000	-	-	6 402	6 033	-	13 436
Bulk purchases	-	-	-	-	-	170 000	5 164	-	175 164
Contracted services	1 500	2 780	3 147	1 436	-	1 540	1 361	600	12 363
Transfers and grants	80	-	21 400	117	-	-	-	-	21 597
Other expenditure	7 793	(1 968)	372	25 123	-	11 377	34 684	3 051	80 433
Total Expenditure	35 860	28 388	49 668	124 706	-	224 034	157 449	23 299	643 402
Surplus/(Deficit)	(35 640)	(6 255)	96 006	(86 122)	-	28 984	(77 736)	(10 219)	(90 982)
Transfers recognised - capital	-	-	25 835	-	-	-	-	-	25 835
Contributions recognised - capital	-	-	-	-	-	-	-	-	-
Contributed assets	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	(35 640)	(6 255)	121 841	(86 122)	-	28 984	(77 736)	(10 219)	(65 146)

Table 65 MBRR Table SA3 – Supporting detail to Statement of Financial Position

Description / R thousand	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
ASSETS									
<u>Call investment deposits</u>									
Call deposits < 90 days	5 363	–	–	13 000	–	–	–	–	–
Other current investments > 90 days	–	635	669	–	940	940	940	–	–
Total Call investment deposits	5 363	635	669	13 000	940	940	940	–	–
<u>Consumer debtors</u>									
Consumer debtors	44 753	56 168	60 238	43 000	55 000	55 000	55 000	53 000	51 000
<u>Less: Provision for debt impairment</u>	<u>(4 741)</u>	<u>(10 375)</u>	<u>(9 843)</u>	<u>(11 625)</u>	<u>(10 625)</u>	<u>(10 625)</u>	<u>(10 625)</u>	<u>(11 625)</u>	<u>(12 245)</u>
Total Consumer debtors	40 012	45 793	50 395	31 375	44 375	44 375	44 375	41 375	38 755
<u>Debt impairment provision</u>									
Balance at the beginning of the year	(17 087)	(17 087)	(10 375)	(10 375)	(10 375)	(10 375)	(10 375)	(10 625)	(11 625)
Contributions to the provision	(1 730)	(6 401)	(759)	(2 000)	(2 000)	(2 000)	(2 000)	(2 000)	(2 120)
Bad debts written off	14 075	13 114	1 291	750	1 750	1 750	1 750	1 000	1 500
Balance at end of year	(4 741)	(10 375)	(9 843)	(11 625)	(10 625)	(10 625)	(10 625)	(11 625)	(12 245)
<u>Property, plant and equipment (PPE)</u>									
PPE at cost/valuation (excl. finance leases)	1 895 096	1 951 482	2 045 497	2 156 344	2 115 229	2 115 229	2 115 229	2 150 181	2 172 747
<u>Less: Accumulated depreciation</u>	<u>291 308</u>	<u>370 453</u>	<u>463 342</u>	<u>595 412</u>	<u>574 076</u>	<u>574 076</u>	<u>574 076</u>	<u>682 595</u>	<u>788 944</u>
Total Property, plant and equipment (PPE)	1 603 787	1 581 029	1 582 155	1 560 932	1 541 153	1 541 153	1 541 153	1 467 585	1 383 802
LIABILITIES									
<u>Current liabilities - Borrowing</u>									
Current portion of long-term liabilities	13 065	15 920	23 229	18 160	16 430	16 430	16 430	10 837	7 394
Total Current liabilities - Borrowing	13 065	15 920	23 229	18 160	16 430	16 430	16 430	10 837	7 394
<u>Trade and other payables</u>									
Trade and other creditors	49 627	52 816	97 821	93 338	141 899	141 899	141 899	137 502	130 861
Unspent conditional transfers	31 179	37 174	36 248	22 379	504	504	504	–	–
VAT	11 935	10 138	–	8 500	8 500	8 500	8 500	8 500	8 500
Total Trade and other payables	92 741	100 128	134 069	124 217	150 902	150 902	150 902	146 002	139 361
<u>Non current liabilities - Borrowing</u>									
Borrowing	80 514	133 563	122 438	201 486	105 557	105 557	105 557	94 720	87 325
Total Non current liabilities - Borrowing	80 514	133 563	122 438	201 486	105 557	105 557	105 557	94 720	87 325
<u>Provisions - non-current</u>									
Post Employment Medical Aid Benefits	60 766	67 943	69 372	84 425	78 613	78 613	78 613	88 430	98 837
Long Service Awards	9 573	11 064	11 455	15 074	13 460	13 460	13 460	15 605	17 879
Landfill Sites Rehabilitation	–	1 324	3 790	–	3 790	3 790	3 790	3 790	3 790
Total Provisions - non-current	70 339	70 339	79 007	90 775	89 253	89 253	99 499	110 359	121 871
CHANGES IN NET ASSETS									
<u>Accumulated Surplus/(Deficit)</u>									
GRAP adjustments	2 168 595	1 611 253	1 503 190	1 466 826	1 476 163	1 476 163	1 476 163	1 428 018	1 362 872
Restated balance	(460 815)	(45 299)	–	–	–	–	–	–	–
Restated balance	1 707 780	1 565 954	1 503 190	1 466 826	1 476 163	1 476 163	1 476 163	1 428 018	1 362 872
Appropriations to Reserves	(96 527)	(62 764)	(27 026)	(96 485)	(48 145)	(48 145)	(48 145)	(65 146)	(79 022)
Accumulated Surplus/(Deficit)	1 611 253	1 503 190	1 476 163	1 370 340	1 428 018	1 428 018	1 428 018	1 362 872	1 283 850
<u>Reserves</u>									
Capital replacement	–	–	–	–	–	–	–	–	–
Capitalisation	–	–	–	–	–	–	–	–	–
Government grant	–	–	–	–	–	–	–	–	–
Donations and public contributions	–	–	–	–	–	–	–	–	–
Total Reserves	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	1 611 253	1 503 190	1 476 163	1 370 340	1 428 018	1 428 018	1 428 018	1 362 872	1 283 850

Table 66 MBRR Table SA9 – Social, economic and demographic statistics and assumptions

Description of economic indicator	Basis of calculation	2011/12	2012/13	2013/14	Current Year 2014/15	2015/16 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Outcome	Outcome	Outcome
Demographics								
Population	The 80-20 Report on Local Government	100	100	93	93	93	93	93
Females aged 5 - 14	The 80-20 Report on Local Government							
Males aged 5 - 14	The 80-20 Report on Local Government	Information not available	Information not available	Information not available	Information not available	Information not available	Information not available	Information not available
Females aged 15 - 34	The 80-20 Report on Local Government							
Males aged 15 - 34	The 80-20 Report on Local Government							
Unemployment	The 80-20 Report on Local Government							
Monthly household income (no. of households)								
No income	The 80-20 Report on Local Government	Information not available			2 278	2 278	2 278	2 278
R1 - R1 600	The 80-20 Report on Local Government	Information not available			5 439	5 439	5 439	5 439
R1 601 - R3 200	The 80-20 Report on Local Government	Information not available			4 579	4 579	4 579	4 579
R3 201 - R6 400	The 80-20 Report on Local Government	Information not available			3 766	3 766	3 766	3 766
R6 401 - R12 800	The 80-20 Report on Local Government	Information not available			3 347	3 347	3 347	3 347
R12 801 - R25 600	The 80-20 Report on Local Government	Information not available			2 278	2 278	2 278	2 278
R25 601 - R51 200	The 80-20 Report on Local Government	Information not available			1 093	1 093	1 093	1 093
R52 201 - R102 400	The 80-20 Report on Local Government	Information not available			302	302	302	302
R102 401 - R204 800	The 80-20 Report on Local Government	Information not available			116	116	116	116
R204 801 - R409 600	The 80-20 Report on Local Government	Information not available						
R409 601 - R819 200	The 80-20 Report on Local Government	Information not available			70	70	70	70
> R819 200	The 80-20 Report on Local Government	Information not available						
Poverty profiles (no. of households)								
< R2 060 per household per month	The 80-20 Report on Local Government	Information not available			8 554	8 554	8 554	8 554
Insert description								
Household/demographics (000)								
Number of people in municipal area	The 80-20 Report on Local Government	Information not available			93	93	93	93
Number of poor people in municipal area	The 80-20 Report on Local Government	Information not available			–	–	–	–
Number of households in municipal area	The 80-20 Report on Local Government	Information not available			23	23	23	23
Number of poor households in municipal area	The 80-20 Report on Local Government	Information not available			9	9	9	9
Definition of poor household (R per month)	The 80-20 Report on Local Government	Information not available			< than R 2060 per month	< than R 2060 per month	< than R 2060 per month	< than R 2060 per month

Table 68 MBRR SA32 – List of external mechanisms

External mechanism Name of organisation	Yrs/ Mths	Period of agreement Number	Service provided	Expiry date of service delivery agreement or	Monetary value of agreement R thousand
BIQ	Yrs	Ongoing	Information System - Financial System	Ongoing	225
IMIS	Yrs	Ongoing	Information System - Financial System	Ongoing	389
Alltech Netstar Fleet Solutions	Mths	Ongoing	Satellite Tracking System for Vehicles	Ongoing - 30 Days	352
Team Mate	Yrs	Ongoing	Information System - Financial System	Ongoing	17
Help U Agencies	Yrs	5	Rental of Offices for Councillors and Ward Committee Members	End of Councillors' Term 2015/2016	30
RWT Trading	Yrs	3	Rental of Offices for Councillors and Ward Committee Members	End of Councillors' Term 2015/2016	30
TGIS	Yrs	1.5	Fixed Asset Register Maintenance - Immovable	30/06/2015	1 859

2.15 Municipal manager's quality certificate

I _____, Municipal Manager of //Khara Hais Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

DALIXOLO ERIC NGXANGA

Municipal Manager of //Khara Hais Municipality (NC083)

31 March 2015